



Anti-counterfeiting and Online Brand Enforcement: Global Guide

2023

**Israel: Civil enforcement and criminal
prosecution fuel counterfeiting
crackdown**

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Now in its 16th year, *The Anticounterfeiting and Online Brand Enforcement: Global Guide* combines the latest strategic analysis with practical, country-by-country exploration of the best protection around the world, enabling brand owners to stay one step ahead of the counterfeiters.

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Israel: Civil enforcement and criminal prosecution fuel counterfeiting crackdown

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Legal framework

The following laws apply to anti-counterfeiting in Israel:

- the Trademarks Ordinance (5732-1972);
- the Trademarks Regulations 1940;
- the Trademarks Order (Protection of Industrial Property) 1934;
- the Merchandise Marks Ordinance 1929, as amended;
- the Merchandise Marks Regulations 1935;
- the Appellations of Origin (Geographical Indications) (Protection) Law (5725-1965);
- the Appellations of Origin (Procedure of Registration of Appellations of Origin Originating in a Foreign Country) Regulations (5727-1967);
- the Appellations of Origin (Procedure before Appeal Committee) Regulations (5727-1966);
- the Symbols Protection Act (5735-1974);
- the Unjust Enrichment Law (5739-1979);
- the Commercial Torts Law (5759-1999); and
- the Consumer Protection Law (5741-1981).

Israel is a party to the following international treaties:

- the Paris Convention for the Protection of Industrial Property (1883), Stockholm (1967);
- the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs);
- the Nice Agreement on the International Classification of Goods and Services (1957), Stockholm (1967);
- the Lisbon Agreement for the Protection of Appellations of Origin and their International Registration (1958), Stockholm (1973); and
- the Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks.

Border measures

According to the Customs Ordinance, Customs is entitled to detain imported goods suspected of infringing trademarks.

It is possible, although not mandatory, for rights holders to file a complaint while recording their registered trademarks with Customs. It is highly recommended that the complaint be filed if the rights holder is aware of specific shipments of infringing goods bound for Israel or if it wishes to bring certain trademarks to the attention of Customs.

Customs is authorised to seize suspected goods (either as a result of a complaint submitted by the rights holder or as a result of a random examination of shipments arriving in Israel). Once the goods are seized, Customs must send appropriate notice to the rights holder and the importer. If Customs seizes suspected goods and no formal complaint is filed, Customs checks the Trademark Office records and sends a notice to the address of service indicated in the Trademark Registry. It is also possible, and highly recommended, to record an address of service for customs seizures in the Trademark Registry, specifically in cases where the trademark agent is not the firm that handles enforcement.

Sending a notice initiates one of two possible procedures. In the past the Customs used to initiate mostly Short Procedures (also called Expedited Procedures), under which Customs agrees to destroy the goods based on a written opinion submitted by the rights holder in which the rights holder indicates the reasoning behind its belief that the goods are infringing and undertakes to compensate the importer for any financial damage that may be inflicted as a result of the seizure and to join Customs in any lawsuit that may be initiated by the importer if the importer believes that the seizure is unjust. Relevant circumstances include:

- a small shipment;
- a shipment including several brand-name goods;
- a low-value shipment;
- a shipment suspected of violating the legal import rules; or
- goods arriving in a parcel through the mail.

In the past year the Customs started initiating more Standard Procedure cases which afford Customs better protection against possible lawsuits brought by the Importers as part of the Short Procedure seizures. According to the Standard Procedure (in accordance with the TRIPs Agreement), the rights holder must file a lawsuit; however, it is possible to settle the matter beforehand.

Customs' legal adviser must authorise the settlement agreement between the rights holder and the importer. To prevent the release of the goods and as an initial step, the rights holder must submit a bank guarantee to Customs. One objective of filing a bank guarantee is to compensate the importer for any financial damage that may be inflicted as a result of the seizure or the filing of a lawsuit should the seizure of the goods prove to be unjustified by a court.

The decision on whether to initiate either procedure is subject to consideration at the discretion of the customs authority. While it is possible to escalate a Short Procedure to a Standard Procedure (by filing a bank guarantee), it is very rare for customs to de-escalate a Standard Procedure to a Short Procedure.

Regardless of whether a Standard or a Short Procedure is initiated, upon receiving the customs notification, the rights holder has three working days (with a possible further three-working-day extension) to respond. It may either submit the required bank guarantee (according to the Standard Procedure requirements) or relevant documents to complete the Short Procedure. Only after the bank guarantee has been submitted will Customs advise the rights holder of the importer's details and allow it to obtain a sample of the seized goods. As such, if the rights holder decides to proceed with the Short Procedure, it will not receive any details regarding the shipment.

Upon filing the bank guarantee, the rights holder can either settle the matter amicably with the importer or file a lawsuit against it within 10 working days of the notice date (an extension of 10 working days is possible).

Should the rights holder choose to take no further action, the goods will be released. In practice, almost all cases end with a settlement.

Criminal prosecution

Trademark infringement may constitute a criminal offence. In the past, the authorities did not intervene in criminal prosecution with regard to trademarks; such procedures were mainly initiated by trademark owners. In 2003 the Israeli police established specialised IP units, which may act based on information obtained as a result of their own investigations or a complaint from a rights holder. In the past several years, the IP units were downsized, and their action is now limited; however, the activity of the local police stations that do not specialise in intellectual property has increased.

Conducting a police raid is a relatively inexpensive procedure. It can significantly deter potential counterfeiters since criminal proceedings may be initiated by the state against the infringers. That said, the police require that a representative of the rights holder who can identify whether the goods are counterfeit or genuine be present during the raid.

After participating in the raid, the police require that the rights holder submit an expert opinion confirming that the goods are fake. On submitting the expert opinion, the police will continue the investigation and, if needed, will file criminal charges against the suspect. At this stage, nothing else is needed from the rights holder. The expert might be summoned to appear before the court if the suspect challenges the opinion; however, this rarely happens, and it is possible to replace the expert with the local distributor.

In previous years, allegedly counterfeit goods that were seized in cooperation with the police were stored at the trademark owners' warehouses until the end of the criminal proceedings. In the past, this matter has been discussed in a number of court decisions that have reviewed the practice. The courts referred to the question of the trademark owners' status in the criminal proceedings. The courts doubted the legality of the practice in which the trademark owners (the complainant in the criminal proceedings) were storing the goods in dispute in their warehouses.

In view of this criticism, changes in police raid practices have been made; however, these changes are presently considered a pilot and include raids conducted by the Tel Aviv district only.

In the pilot, the allegedly counterfeit goods seized are stored by the police, and the trademark owner only receives samples to provide an expert opinion. Whether to file an indictment is decided almost immediately after the seizure is conducted.

State prosecution of criminal offences

Criminal proceedings are initiated only with respect to registered trademark rights. Unregistered trademark rights may be protected only within the framework of civil proceedings.

Plaintiffs must prove that the defendant used the registered trademark without the rights holder's authorisation or approval in a manner that may deceive a third party.

If found guilty, defendants face imprisonment for up to three years, a fine or the forfeiture and destruction of the goods.

Private criminal complaint

The right to file a private criminal complaint is independent of the proceedings initiated by the state prosecution; it is permissible in cases where the state prosecution has chosen not to investigate or prosecute a specific case. In such a case, the burden of proof falls on the complainant. The complaint will be filed with the magistrates' court.

The complaint may be turned over to the state prosecution in some cases. The same proceedings, remedies and jurisdictions apply to private complaints as to state criminal prosecutions.

A verdict in a criminal complaint may be used as prima facie evidence in a civil case where the defendant is found guilty, and the verdict is final.

Civil enforcement

Trademark litigation in civil courts

Trademark litigation in Israel generally follows the basic procedures of general Israeli litigation. On average, a case involving trademark infringement takes anywhere between one and three years. This does not include appeals, which may take an additional one to two years. Claims relating to trademarks where a permanent injunction is requested are generally filed with the district courts. That said, if the monetary value of the disputed goods is relatively low and there is no request for interlocutory relief, the claim should be filed with a magistrates' court.

Appeals against decisions of magistrates' courts are filed with the district courts. District court decisions may be appealed to the Supreme Court.

Remedies

A preliminary injunction is the most common remedy granted to the owner of a registered IP right. A preliminary injunction may be issued if the rights holder can provide apparent proof of cause, convince the court of the urgency of the matter at hand and, in most cases, provide a bank guarantee. The court usually holds a comprehensive hearing to consider the case at hand. Similarly, permanent injunctions may be granted within the framework of the lawsuit.

An Anton Piller order is a seizure order (particularly available in counterfeit matters) under which the court empowers a party (usually the plaintiff) to enter the premises of a third party to search for and seize evidence of infringing activity.

Monetary damages awards are relatively small compared to those available in other member states of the Organisation for Economic Cooperation and Development. An award of

damages generally requires proof of infringement and proof of damages, or at least a reasonable estimate. In assessing the amount of monetary damages, a court may require the plaintiff to provide actual damages; however, the final award of damages will not necessarily be bound by the proof of actual damages provided by the plaintiff.

The courts routinely award damages without having to prove actual damages, based on the Commercial Torts Law (5759-1999), mainly with respect to the passing-off tort. According to this law, compensation may be awarded without having to prove actual damages; however, this type of compensation is limited to NIS100,000 (approximately US\$30,000).

The court may order a defendant to provide the plaintiff with a complete audit of its accounts with respect to its infringing activities.

The courts generally award expenses to the prevailing party in litigation; however, costs are subject to caps set by regulation and rarely amount to more than 30% of the actual legal fees expended.

In cases of trademark infringement, a trademark owner may demand that the infringer transfer the infringing goods to the owner or destroy all the infringing products.

Parallel imports

Parallel imports do not per se constitute trademark infringement as the courts and the government view them as healthy competition that results in reduced prices for the consumer. In the Schestowitz-Colgate matter, the Israeli Competition Authority instructed Schestowitz (one of the biggest official distributors in Israel) to refrain from acts that it thought were aimed at trying to prevent parallel imports of Colgate toothpaste. The Israeli Competition Authority stated that Schestowitz reports to Colgate about parallel imports while including photos of parallel goods to try to diminish parallel imports and, as such, this conduct is not permitted.

In the current atmosphere, it is very difficult to prevent parallel imports in Israel, while in the past it was possible to take certain actions to prevent parallel imports, unless there is clear tampering with one's products, it would be very difficult to take this route.

In *Jafora Tabori Ltd v Ben Shlush Import and Export Ltd*, Jafora Tabori, a prominent local soft drinks manufacturing and marketing company, appealed to the Supreme Court after the Central Region District Court permitted the respondent, Ben Shlush Import and Export Ltd, to continue to import into Israel Ukrainian-made soft drinks bearing the SCHWEPPES trademark, as these were sold in Ukraine by the Ukrainian SCHWEPPES trademark owner. The first instance court based its ruling on the "exhaustion of trademark rights doctrine".

The Supreme Court overturned the ruling and held that an Israeli trademark owned by Jafora grants its owner an exclusive right to use the mark in Israel and that foreign registrations held by other entities do not grant use rights in Israel. Therefore, since the Israeli owner of the SCHWEPPES trademark is not affiliated or otherwise associated Jafora's rights were infringed.

This is a very unique case as the trademark owner in Israel is different from the trademark owner abroad and so this ruling does not apply to cases where the owner of the trademarks in the country of origin for the imported goods and in Israel is the same.

On a final petition filed by Ben Shlush, Chief Justice Hayut acknowledged possible negative effects that the ruling might have on parallel imports. That said, the case involves a unique commercial situation. Chief Justice Hayut indicated that it is understood that this ruling does not block the possibility of examining future cases in which there will be a concrete concern re anti-competitive practices that originate in transfers of trademarks between different legal entities. This statement makes it obvious that international trademark owners are not likely to benefit from transferring TM rights to their Israeli subsidiaries.

Dispute resolution

Online issues may be governed by the Israeli courts or the Israel Internet Association (IAA), which operates as the registry for domain names under the country code top-level domain '.il'.

The IAA's dispute resolution process is designed to resolve disputes regarding the allocation of '.il' domain names. It is not intended to create or replace judicial precedence or jurisprudence. Agreeing to dispute resolution under those procedures does not constitute an arbitration agreement, as defined by the Arbitration Law.

Under the rules for the allocation of '.il' domain names, the dispute resolution process will review third-party challenges to the existing allocation of domain names by the IAA on a case-by-case basis. Disputes regarding the allocation of a domain name by a holder may be brought by a third party on the following grounds:

- the domain name is identical or confusingly similar to the complainant's trademark, trade name, registered company name or legal entity registration;
- the complainant has rights in the name;
- the holder has no rights in the name; and
- the application for allocation of the domain name was made or the domain name was used in bad faith.

Courts

The courts have not yet considered what constitutes trademark infringement on the Internet. One noteworthy case is *ML v Crazy Line*, in which the Tel Aviv District Court dismissed trademark infringement and unfair competition claims against a defendant that used ML's marks to trigger Google AdWords. The court gave considerable weight to the fact that the disputed trademarks were not used in the sponsored links themselves; the trademark use took place behind the scenes. The court held that such use should not constitute infringement.

That said, magistrates' courts have declined attempts to dismiss lawsuits in limine (ie, before the start of a trial) based on ML, indicating that such claims may be heard based on unjust enrichment.

In *Proportzia Ltd v Dov Klein*, the Tel Aviv District Court reaffirmed ML, ruling that use of a trademark in the scope of Google AdWords does not constitute trademark infringement, unjust enrichment or breach of privacy, dignity and liberty.

In *re Tommy Hilfiger*, the Supreme Court permitted the third-party use of a brand owner's trademark in the domain name 'tommy4less.co.il'. It held that it was clear to the general public, in light of the specific wording of the domain name, that the website was not operated on behalf of or sponsored by the rights holder; therefore, courts may allow the use of a brand owner's trademark in a third-party domain name, provided that the full wording makes it clear to the general public that the website is not connected to the rights holder.

In *Zohar v Facebook Inc*, the Tel Aviv District Court found the operator of Facebook groups that offered counterfeit goods for sale via a hidden link scheme as liable for trademark infringement. The plaintiff operated several Facebook groups that offered allegedly brand name goods through an intricate system of codes and processes in which the branded goods were camouflaged with pictures of seemingly unrelated products and unrelated descriptions. The plaintiff also tried to conceal her activity from algorithmic anti-counterfeiting measures by inserting asterisks into the brand names and distorting them. Based on these, the court was unconvinced by the plaintiff's claims that she did not know the goods were counterfeited and held that her actions constituted trademark infringement.

Preventive measures/strategies

Rights holders should consider the following measures to detect possible infringements:

- review the Trademark Gazette published by the Israeli Patent and Trademark Office;
- conduct regular online investigations;
- involve an investigation agency; and
- file customs complaints, where appropriate.

Rights owners should implement technical devices or other measures in their products to ensure the expedited detection of counterfeits and locations from where parallel imports have been imported.

Stringent manufacturing and distribution agreements, including jurisdictional limitations, may prevent the unauthorised distribution of goods created by authorised manufacturers working for rights owners and may also help to prevent parallel imports.

LEGAL FRAMEWORK

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Conducting a police raid is a relatively inexpensive procedure. It can significantly deter potential counterfeiters since criminal proceedings may be initiated by the state against the infringers. That said, the police require that a representative of the rights holder who can identify whether the goods are counterfeit or genuine be present during the raid.

After participating in the raid, the police require that the rights holder submit an expert opinion confirming that the goods are fake. On submitting the expert opinion, the police will continue the investigation and, if needed, will file criminal charges against the suspect. At this stage, nothing else is needed from the rights holder. The expert might be summoned to appear before the court if the suspect challenges the opinion; however, this rarely happens, and it is possible to replace the expert with the local distributor.

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STATE PROSECUTION OF CRIMINAL OFFENCES

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Plaintiffs must prove that the defendant used the registered trademark without the rights holder's authorisation or approval in a manner that may deceive a third party.

If found guilty, defendants face imprisonment for up to three years, a fine or the forfeiture and destruction of the goods.

PRIVATE CRIMINAL COMPLAINT

The right to file a private criminal complaint is independent of the proceedings initiated by the state prosecution; it is permissible in cases where the state prosecution has chosen not to investigate or prosecute a specific case. In such a case, the burden of proof falls on the complainant. The complaint will be filed with the magistrates' court.

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one and three years. This does not include appeals, which may take an additional one to two years. Claims relating to trademarks where a permanent injunction is requested are generally filed with the district courts. That said, if the monetary value of the disputed goods is relatively low and there is no request for interlocutory relief, the claim should be filed with a magistrates' court.

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REMEDIES

A preliminary injunction is the most common remedy granted to the owner of a registered IP right. A preliminary injunction may be issued if the rights holder can provide apparent proof of cause, convince the court of the urgency of the matter at hand and, in most cases, provide a bank guarantee. The court usually holds a comprehensive hearing to consider the case at hand. Similarly, permanent injunctions may be granted within the framework of the lawsuit.

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PARALLEL IMPORTS

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COURTS

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