

THE ISRAELI SUPREME COURT RECOGNIZES CONTRIBUTORY PATENT INFRINGEMENT

*-Legal review article by Edward Langer, Adv. & Pat. Atty.**

An Israeli citizen travels abroad and sees a product that he likes and decides to import it "back home". Does he have to worry about a patent that protects the product, if he only imports parts of, and not the whole item? Under an important new Israeli court ruling, the Israeli may be in for a surprise on his return home.

In Civil Appeal 1636/98 Rav Bariah (Mul-T-Lock) Ltd. v. SDR - Shirion Marketing and Importing Ltd., et al (SDR), the Israel Supreme Court held that SDR could be held liable for contributory infringement of a patent held by Mul-T-Lock, a major manufacturer of locks and security products, by importing and selling two components of Mul-T-Lock's patent for a car anti-theft security device, designed with a U-shaped yoke to engage the lock and immobilize the gearshift. The Mul-T-Lock patent comprises three elements: a lock, bar and a yoke.

SDR only imported the yoke and lock into Israel. Mul-T-Lock brought a patent infringement action against SDR, which subsequently asserted its right under freedom of competition laws, stating that it had a right to sell the two components which were unprotected by any patent rights. The imported locks were designed with mounting holes, to facilitate mounting on a post (bar).

The question of whether the sale of single components of a combination patent constitutes patent infringement has been an issue in American law as far back as the 1800s. The Israeli Supreme Court, in its analysis of the underlying issues of this case, reviewed the legislative attempts in the U.S. and other jurisdictions, such as Europe and England, to define the principle of contributory infringement. A composite of these statutory definitions can be summarized as follows:

Whoever offers to sell or sells or imports, a component of a patented machine constituting a material part of the invention, knowing the same to be especially made or especially adapted for use in an infringement of such patent, and not a staple article or commodity of commerce suitable for substantial non-infringing use, shall be liable as a contributory infringer.

The Supreme Court indicated that since Israel Patent Law did not deal with the specific issue of contributory infringement, it would have to look to existing normative law to determine if there was a basis for recognition of liability in accordance with such a theory.

The Court began by reviewing the lower court's opinion, which held that "we cannot forbid the importation into Israel of a product, just because of the possibility, and even the intention, to use it with another product to infringe a patent".

The Court then studied the manner in which American courts dealt with the problem. The American decisions struggled with the competing legal interests in expanding patent protection in the face of indirect (non-literal) infringement, while constraining patent protection within limits so as not to hamper free competition.

The Court also noted the development of the subject under English jurisprudence, which differed from the American approach. While the English courts refused to recognize a separate doctrine of contributory infringement, they did recognize infringement as a form of trespass. Under this theory the patent owner is protected if he can prove that the marketer is responsible as an agent or is personally liable for the infringement actions of another. The most common form of this situation arises when the marketer is held liable as a joint tortfeasor. Thus, if the marketer is seen as a joint actor in the act of construction of the product by the buyer, the patent owner is entitled to relief as a result of the infringement activity of the former.

The Israeli Supreme Court continued its analysis by referring to the Israeli Damages Law with respect to this subject. Section 12 of the Law states:

“For the purpose of this Ordinance, any person who joins or aids in, authorizes, counsels, commands, procures or ratifies any act done or to be done, or any omission made or to be made, by any other person shall be liable for such act or omission.”

The Court noted that this provision is consistent with the traditional principle of joint tortfeasors in English law.

After recognizing that joint liability could be applied in patent infringement cases under Israeli law, the Court then examined the question of whether, under the circumstances of the instant case, SDR can be held liable for patent infringement as a joint tortfeasor under the provisions of Section 12 of the Damages Law.

The Court noted that Mul-T-Lock argued that the requirements of Section 12 were present, since SDR intended that the locks would be connected to a mounting post, and in fact instructed the buyers of the locks to attach them to the mounting post which Mul-T-Lock sold. This was possible since the locks were manufactured at the outset with mounting holes for the post.

The Court, however, was not convinced that a “common design” was present between the buyers of the locks and SDR, and it did not see the marketing company as an active partner with the buyer, since the latter would act independently and separately in attaching the lock to the mounting post. Due to this uncertainty, the Court decided to analyze the application of the doctrine of contributory infringement under Israeli law, declaring that “the time has come for a decision on this question.”

After careful review of its available options, the Court decided that there was no impediment to recognition of the doctrine of contributory infringement under Israeli law and that such doctrine should be adopted with conditions for its application, in parallel with those established elsewhere in leading jurisdictions in patent law.

Once the Court recognized the doctrine of contributory infringement under Israeli law, the Court's task was to determine if the accepted conditions were present to charge SDR with liability. The first condition is that the components sold constitute a substantial portion of the invention protected by Mul-T-Lock. The second condition is that the marketer knows or, under the circumstances, should have known, that the components are especially adapted to the combination infringing the patent rights, and is in fact aware of this. The third condition is in the negative, as an escape from liability, in the case where the component sold is a staple product having a substantial non-infringing use.

The Court held that SDR sold its clients two components of the combination, which together constituted a substantial portion of the Mul-T-Lock invention, thereby satisfying the first condition. The sale of locks having pre-drilled holes for mounting on a post, together with the yoke for securing the gearshift lever was thus considered to be a sale of substantial portions of the invention.

Further, the evidence clearly showed that SDR knew that the imported locks were especially adapted to be mounted on a post in a vehicle, such that the yoke could be locked by the driver around the gearshift lever, using one hand. The manager of SDR had seen the invention in Taiwan, and sold the two components in Israel without the post. It was admitted that the intention was to have the auto parts service technicians use the post supplied by Mul-T-Lock. Thus, SDR clearly knew that the components they sold were adapted and intended to infringe the patent, thereby satisfying the second condition.

The third condition enables the marketer to escape liability for contributory infringement if he can show that the component is a staple commercial product, having a substantial non-infringing use. At this point, the Court recalled that the lower court was not inclined to place liability on SDR, since Mul-T-Lock did not prove that the imported locks had no use other than that which infringed the patent. The Court made two observations about this condition: firstly, the ability to show that a staple article has a substantial non-infringing use depends on the circumstances, and in this case, the imported locks did not have a substantial use other than mounting on a post in a car alongside the gearshift lever. Second, the Court makes it clear that the burden of showing that a component is a staple product is on the defendant who uses this argument in his defense.

Thus, the Court concluded that in this case, the required conditions had been proven for placing liability on SDR for contributory infringement of Mul-T-Lock's patent rights.

The Court's judgment therefore, was to accept the appeal by Mul-T-Lock and return the case to the lower court for a decision on the relief to be granted for patent infringement.

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