

1. **Florist de Kwakel B.V.**
2. **Terra Nigra B.V.**

v.

1. **Baruch Hajaj**
2. **Abraham Hajaj**

The Supreme Court
Sitting as a Court of Civil Appeals
[3 September 2013]

Before Justices H. Melcer, S. Joubran, E. Rubinstein

Appeal on the judgment of the Tel-Aviv-Jaffa District Court of 26.9.2005 in CF 1914/01, and on the complementary judgment of 2.5.2007, per Judge R. Ronen

Supreme Court cases cited

- [1] HCJ 3546/93 *Yuval Agricultural Produce Ltd. v. Ornamental Plant Export and Marketing Council* (21.11.93)
- [2] CA 2909/98 *North Fodder Ltd. v. Hazera (1939) Ltd.* [2000] IsrSC 54(3) 652.
- [3] CA 2600/90 *Elite, Israel Chocolate and Sweets Factory Co. Ltd. v. Serange* [1996] IsrSC 49(5) 796, 804.
- [4] LCA 6025/05 *Merck & Co. Inc. v. Teva Pharmaceutical Industries Ltd.* (19.5.2011).
- [5] CA 4630/06 *Sheffer v. Tarbut La'am (1995) Ltd.* (8.7.2012).
- [6] HCJ 5379/90 *Bristol-Meyers Squibb Co. v. Ministry of Health* [2001] IsrSC 55(4) 447.
- [7] CA 471/70 *R. Geigy S.A. v. Pazchim Ltd.* [1970] IsrSC 24(2) 705.
- [8] CA 326/00 *Holon Municipality v. NMC Music Ltd.* [2003] IsrSC 57(3) 658.

- [9] LCA 371/89 *Leibowitz v. A. et Eliahu Ltd.* [1990] IsrSC 44(2) 309.
- [10] CA 2909/98 *Northern Feed Ltd. v. Hazera (1939) Ltd.* [2000] IsrSC 54(3) 652.
- [11] LCA 6141/02 *ACUM v. Galei Zahal* [2003] IsrSC 57(2) 625.
- [12] CA 1636/98 *Rav Bariah v. Habshush* [2001] IsrSC 55(5) 337, 349.
- [13] CA 9191/03 *V&S Vin Sprit Aktiebolag v. Absolute Shoes Ltd.* [2004] IsrSC 58(6) 869.
- [14] CA 2287/00 *Shoham Machinery Ltd. v. Herer* (5.12.05).
- [15] LCA 5768/94 *AShIR Imports and Distribution v. Forum Accessories and Consumer Goods Ltd.* [1998] IsrSC 52(4) 289.
- [16] LCA 9123/05 *Admov Projects (89) Ltd. v. City State of the Alfo Group Ltd.* (25.10.07).
- [17] CA 11900/05 *Alumot Holon Ltd. v. Lehem Hai Ltd.* (19.6.07).
- [18] LCA 112/93 *Tzudler v. Yosef* [1994] IsrSC 48(5) 550.
- [19] HCJ 1993/03 *Movement for Quality Government in Israel v. Prime Minister* [2003] IsrSC 57(6) 817, 899.
- [20] LCA 6339/97 *Rocker v. Salomon* [2001] IsrSC 55(2) 275.
- [21] CA 2850/99 *Ben Hamu v. Tenne Noga Ltd.* [2001] IsrSC 54(4) 849.
- [22] CA 442/85 *Zohar v. Travenol Laboratories* [1990] IsrSC 44(3) 661.
- [23] CA 9046/96 *Ben Barukh v. Tnuva* [2000] IsrSC 54(1) 625.
- [24] CA 10242/08 *Muzafi v. Kabali* (19.10.2012).
- [25] CA 78/04 *Hamagen Insurance Co. Ltd. v. Gershon* [2007] IsrSC 61(3) 18.
- [26] CA 6160/99 *Druckman v. Laniado Hospital* [2001] IsrSC 55(3) 117.
- [27] CA 5240/92 *Halamish v. Ashraz* [1993] IsrSc 47(1) 45.
- [28] CA 5977/70 *The Hebrew University of Jerusalem v. Schocken Publishing House Ltd.* (20.6.2011).
- [29] CrA 108/66 *"Dan" Cooperative Society for Public Transport v. Attorney General* [1966] IsrSC 20(4) 253.
- [30] CA 3400/03 *Rubinstein v. Ein Tal 1983 Ltd.* (23.3.05).
- [31] CA 3901/96 *Raanana Municipal Council for Planning and Construction v. Horowitz* [2002] IsrSC 56(4) 913.
- [32] CA 715/68 *Fru-Fru Biscuits v. Frumin* [1969] IsrSC 23(2) 43.
- [33] CA 1319/06 *Shellac v. Tene Noga (Marketing) 1981 Ltd.* (20.3.07).
- [34] CA 44/76 *Ata Textile Co. Ltd. v. Schwartz* [1976] IsrSC 30(3) 785.

- [35] FH 5004/11 *Schocken Publishing House Ltd. v. Hebrew University of Jerusalem* (11.9.11).
- [36] CA 9183/09 *Football Association Premier League Ltd. v. A.* (13.5.2012).
- [37] FH 4465/98 *Tivol v. Cheg-Hayyam* [2001] IsrSC 56(1) 56.
- [38] CA 6222/97 *Tivol v. State of Israel* [1998] IsrSC 52(3) 145/

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- [39] CF (Tel Aviv) 349/98 *Sayag v. Ornamental Plant Export and Marketing Council* (22.8.07).
- [40] CF (Tel Aviv) 1377/92 *Hazera (1939) Ltd. v. Southern Agricultural Produce Ltd.* PM 5774 (1) 360, 364-5.
- [41] OM 2949/98 *Sayag v. Ornamental Plant Export and Marketing Council* (19.3.98).
- [42] CF (Merkaz-Lod) 1549-08-07 *Maariv Modi'in Publishing Ltd. v. Businessnet Ltd.* (17.10.12)

Magistrates Court cases cited

- [43] CF (Magistrates Court Netanya) 3038/02 *Michael v. Aviv Floral Packing House Ltd.* (31.1.2005)

US Cases cited

- [44] *Bowman v. Monsanto Co. et al.* 657 F 3d, at 1348.
- [45] *eBay Inc. v. MercExchange* 547 U.S. 388 (2006).

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- [46] *Cultivaust v. Grain Pool* [2005] FCAFC 223.

International Conventions Cited

International Convention for the Protection of New Varieties of Plants

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Civil Procedure Regulations, 1984, reg. 362(b)

Civil Wrongs Ordinance [New Version], sec. 74.

Contracts (General Part) Law, 1973, general and 39, 61(b)
Copyright Law, 2007, secs. 19 48, 53
Courts Law [Consolidated Version], 1984, sec. 75.
Interpretation Law, 1981, sec. 4
Ornamental Plants Council (Production and Marketing) Law, 1976.
Ornamental Plants Council (Export and Marketing) (Conditions for the Activities of Authorized Exporters) Rules, 1979
Patents Law, 1967, § 49, 178-187, 117, 65(a)
Plant Breeders' Rights Law, 1973, 1, 2, 36(b), 36(e), 36A, 65, 4, 38-44
Plants Council (Production and Marketing) Law, 1973, and secs. 72, 73.
Program for the Recovery of the Israeli Economy (Statutory Amendments to Achieve Budgetary Goals and Economic Policy for the 2003 and 2004 Budgetary Years) Law, 2003 (S.H. 5763-22003 no. 1892 of 1.6.2003, p. 446)
Restrictive Trade Practices Law, 1988 sec. 29, sec. 3(2)
Unjust Enrichment Law, 1979

For the Appellants – D. Ginar

For the Respondents – M. Ofri

Justice H. Melcer

“I have also a flower.”

“We do not record flowers,” said the geographer.

“Why is that? The flower is the most beautiful thing on my planet!”

“We do not record them,” said the geographer, “because they are ephemeral.”

“What does that mean — ‘ephemeral’?”

“Geographies,” said the geographer, “are the books which, of all books, are most concerned with matters of consequence. They never become old-fashioned. It is very rarely that a mountain changes its position. It is very rarely

that an ocean empties itself of its waters. We write of eternal things.”

“But extinct volcanoes may come to life again,” the little prince interrupted. “What does that mean — ‘ephemeral’?”

“Whether volcanoes are extinct or alive, it comes to the same thing for us,” said the geographer. “The thing that matters to us is the mountain. It does not change.”

“But what does that mean — ‘ephemeral’?” repeated the little prince, who never in his life had let go of a question, once he had asked it.

“It means, ‘which is in danger of speedy disappearance.’”

“Is my flower in danger of speedy disappearance?”

“Certainly it is.”

“My flower is ephemeral,” the little prince said to himself, “and she has only four thorns to defend herself against the world. And I have left her on my planet, all alone!”

That was his first moment of regret. But he took courage once more.

“What place would you advise me to visit now?” he asked.

“The planet Earth,” replied the geographer. “It has a good reputation.”

And the little prince went away, thinking of his flower.

(Antoine de Saint-Exupéry, *The Little Prince*; trans. from the French by Katherine Woods, Pan Books, pp. 54-55 (1974)).

1. This is an appeal against a ruling of the Tel Aviv-Jaffa District Court (Judge R. Ronen) in CF 1914/01, in which the action of the appellants for a permanent injunction against the respondents, prohibiting them from utilizing (within the meaning of this term in the Plant Breeders’ Rights Law, 5733-1973 (hereinafter, “Breeders’ Rights Law” or the

“Law”)) varieties of protected seedlings and flowers of the gerbera variety, in which the appellants hold the registered breeding rights.

Below is the information relevant to the decision.

Background

2. The appellants (hereinafter, “the appellants” or “the breeders”) are Dutch corporations in whose names the breeders’ rights were registered in accordance with the provisions of the Breeders’ Rights Law, regarding certain varieties of ornamental plants of the “gerbera” type (hereinafter, “the protected varieties”).

3. In 2001, the appellants brought an action in the Tel Aviv District Court for a permanent injunction against the respondents—a father and son, owners of agricultural lands in Moshav Porath (the son, Respondent No. 1, is considered, so it is claimed, to be amongst the leading cultivators and marketers of flowers of the gerbera variety in Israel) – prohibiting them “from cultivating and/or propagating and/or preparing for the purpose of propagation and/or offering for sale and/or exporting and/or importing and/or marketing in any way and/or maintaining for the purpose of any of the above-mentioned activities seedlings and/or flowers of the gerbera varieties . . . ” in which the appellants hold the registered breeders’ rights, “and all – whether directly or indirectly, whether themselves or through others.”

In their suit, the appellants argued that in the 1999/2000 and 2000/2001 growing seasons, the respondents utilized (within the meaning of that term in the Breeders’ Rights Law) seedlings and flowers of the protected varieties on the lands in their possession, without the permission of the breeders, unlawfully and while making false declarations concerning the extent of the cultivation undertaken by them. They did so by propagating material that they produced and planted themselves, or received from others, and by means of cultivation, sale, marketing, and export of said seedlings and flowers, as well as by maintaining them for the purpose of each one of said activities.

The appellants argue that since the respondents’ utilization of the varieties was effected without their permission and unlawfully, they are entitled to prevent it by, *inter alia*, virtue of the provisions of §§.36 and 65 of the Breeders’ Rights Law.

At this point, an additional “actor” who was on the scene at the time relevant to the claim should be mentioned: namely, the Ornamental Plants Production and Marketing Council (hereinafter, “the Council”), which is a corporation established by the Ornamental Plants Council (Production and Marketing) Law, 825-1976 (hereinafter, “the Ornamental Plants Council Law”). From the time of its establishment and until May 1999, the Council

served, by virtue of the Ornamental Plants Council Law, as the sole and exclusive exporter of ornamental plants from Israel. In May 1999 the Ornamental Plants Council (Export and Marketing) (Conditions for the Activities of Authorized Exporters) Rules, 1979, were enacted, permitting the export of flowers through authorized exporters. As part of the Council's activities as an exporter (up until 1999), it signed agreements with flower growers in Israel, including the respondents, that regulated, *inter alia*, the marketing of flowers and their export, as well as collection of payment abroad for the exported flowers and its transfer to the growers (hereinafter, "the agreements of the Council"). In addition to its role as an exporter as aforesaid, the Council also served as the representative in Israel of breeders from abroad (including the appellants). Allow me to clarify: under sec. 20(a)(2) of the Breeders' Rights Law, a breeder who is not a resident of Israel must appoint a local representative in Israel, who is authorized to represent him in any matter relating to an application to register the breeders' rights in the Register of Rights. Pursuant to this obligation, the Council obtained authorization from various breeders abroad to represent them in Israel. The role that the Council assumed for itself was not included in the roles conferred upon it by law. In this capacity, the Council granted the growers sub-licenses for the utilization of those varieties whose owners it represented (see: CF (Tel-Aviv) 349/98 *Sayag v. Ornamental Plant Export and Marketing Council* [41]; HCJ 3546/93 *Yuval Agricultural Produce Ltd. v. Ornamental Plant Export and Marketing Council* [1]); and from the export payments that it transferred to Israeli growers who marketed flowers through it, the Council deducted sums that it charged on behalf of the breeders as utilization fees and/or royalties for utilization of the varieties. In accordance with the agreements of the Council, the growers are obliged to pay "breeders' royalties" in respect of their utilization of both registered varieties and non-registered varieties.

It should be noted that on January 1, 2004, following the amendment of the Plants Council (Production and Marketing) Law, 1973 (hereinafter, "Plants Council Law") as part of the Program for the Recovery of the Israeli Economy (Statutory Amendments to Achieve Budgetary Goals and Economic Policy for the 2003 and 2004 Budgetary Years) Law, 2003 (S.H. 5763-2003 no. 1892 of 1.6.2003, p. 446), the Plants Council Law was repealed and the Council in its previous structure ceased to exist (see secs. 72 and 73 of the Plants Council Law).

The Application for a Permanent Injunction and the Parties' Arguments

4. As argued in the written pleadings, in the course of the years during which the Council served as an exporter, the respondents exported

annually, through the Council, flowers of the protected varieties to an extent that was a function of an annual utilization upwards of 220,000 seedlings. With the opening of the ornamental plants export market to competition in May 1999, the respondents stopped exporting their flowers through the Council, but according to the appellants, the respondents continued cultivating and utilizing the protected varieties without having received permission from the breeders (or permission from their representative in Israel, namely, the Council).

Note that from every gerbera seedling, several flowers may be grown. It was argued before this Court that most of the growers produce three flowers from one gerbera seedling; in contrast, respondent no. 1 (hereinafter, “the respondent”) succeeds, due to his skill, in producing up to ten flowers from one gerbera seedling. As long as the Council was the sole exporter, it collected royalties for utilization of the varieties in accordance with the number of flowers exported overseas. In contrast, there was no supervision over the sale of flowers produced by the growers from the bred varieties in Israel, and royalties were not collected for utilization of the varieties in this manner. Once the Council no longer served as the sole exporter of ornamental plants, the need arose for a mechanism that would allow the breeders’ representatives in Israel, including the Council, to establish the extent of utilization of the varieties by growers (including by way of repeated propagation) and to collect royalties in respect of such utilization. Hence the practice of conducting a “count” of the seedlings in the cultivation areas by means of a “counter” appointed for that purpose by a representative of the breeders was developed (for elaboration of this matter, see: CF (Netanya) 3038/02 *Michael v. Aviv Flowers Packing House* [43]).

Under these circumstances, the Council, in its capacity as representative of the breeders, approached the respondents and asked them, or so it was argued in the claim, to allow it, or someone on its behalf, to enter the cultivation areas of the gerbera plants under their control, in order to establish the extent of their utilization of the protected varieties. The appellants claim that the respondents refused to allow the requested count to be conducted, and provided only “self-reports” with respect to the extent of cultivation of the seedlings in the 1999/2000 and 2000/2001 seasons. These reports included details of the varieties of gerbera plants that were bred by the appellants in total, some of them protected, and some for which the appellants’ rights had not yet been registered. According to the appellants, it emerged from these reports that the respondents utilized, according to their own report, 108,500 seedlings of the protected varieties in the 1999/2000 season, and 62,200 seedlings of the protected varieties in the 2000/2001 season.

The appellants claim that these reports are inaccurate. Their claim relies on estimations based on the size of the cultivation areas controlled by the respondents, on the extent of the cultivation of plants by the respondents in the years preceding these seasons, and on the refusal of the respondents to allow a representative on behalf of the Council to enter the fields under their control in order to count the seedlings.

The appellants further argue that the respondents did not pay them the full amount of royalties due in respect of their utilization of the protected varieties, even according to their own declaration (according to the appellants, the respondents paid them approx. NIS 50,000 in respect of the two growing seasons, when according to their self-reports, they ought to have paid three times that amount; in contrast, according to the appellants' assessment of the estimated "real figures," the respondents ought to have paid an approximate amount of NIS 400,000 for the two growing seasons).

Under these circumstances, the appellants notified the respondents, through the Council, in a letter dated 20.2.2000, that they

"do not allow . . . utilization of their gerbera varieties, and they will not renew any agreement or authorization if such existed. . . and this includes, *inter alia*, cultivation, propagation, sale, offer for sale of their varieties [.]" (Emphasis added – H.M.).

In an additional letter dated April 12, 2001, the appellants reiterated their notice whereby the respondents were notified they were not allowed: **"to utilize, in any form or manner (including by way of propagation, planting, cultivation or marketing) any variety whatsoever of their gerbera varieties."**

When these communications went unanswered, the action for a permanent injunction against the respondents, which is now the object of this appeal, was brought before the District Court on June 3, 2001 not long before the beginning of the 2001/2002 growing season (the growing season for gerbera plants is the period between the month of October in a given year and the month of May the following year). I will also point out that together with bringing the action for a permanent injunction, the appellants also submitted a petition for a temporary injunction until this action is adjudicated. The respondents did not respond to the petition in a timely fashion, and under these circumstances, the District Court (per Judge Y. Zefat) granted the appellants' request and issued a temporary injunction. The order was made conditional upon the deposit of a personal undertaking, and a cash deposit, or an autonomous bank guarantee from an Israeli bank in the amount of NIS 25,000. From the material before us it

emerges that the undertaking and the deposit or guarantee were not executed and the temporary injunction did not, therefore, take effect and was not delivered to the respondents.

Moreover, on October, 2001 the District Court issued a ruling on the action *ex parte*. The ruling was later set aside, after the respondents explained their failure to respond by saying that at that time, they were negotiating with the Council and believed that the dispute would be resolved outside the courtroom, and that they subsequently undertook to allow a count to be conducted, as elucidated in para. 6 below (this count, too, is in dispute).

5. In the statement of defense submitted following the above mentioned developments, the respondents argued that the action had in fact been brought by the Council in an attempt to limit competition in the plant export sector when that sector had been opened to competition (after the Council ceased to be the sole exporter), and as a means of applying pressure to the respondents following a financial dispute that arose concerning the amount of royalties that the respondents had been asked to pay for their utilization of varieties bred by the appellants. According to the respondents, the Council also tried to collect from them, unlawfully, royalties for their utilization of varieties that were not registered, and when its demand was not met, the action for an injunction was brought.

The respondents also argued that there was no dispute between the appellants and Respondent no. 2, an elderly man who is, indeed, registered as the owner of the rights in the agricultural lands, but has not, they claim, been involved in agriculture and the cultivation of flowers for some two decades; his “only sin,” they argue, lies in the fact that he allows his Respondent No. 1, his son, to work his land, for no consideration.

On the merits, Respondent No. 1 argued that as early as 1993/4 he began importing gerbera seedlings, including those of the types bred by the appellants, whether or not the rights in them were registered. He contends that he has purchased seedlings from authorized suppliers of the breeders (such as Herman Crystal Co. Ltd and Migros Ltd.), and that “from time to time he **utilizes varieties by way of propagation**” (see: sec. 22 of the statement of defense, and sec. 20 of his deposition). According to Respondent No. 1, this was done pursuant to his right by virtue of **the agreement to purchase** the seedlings from the supplier (a document entitled “Terms Relating to Order of Gerbera Seedlings” was submitted to the District Court, appended to the “Order for Gerbera Seedlings from Herman Crystal Ltd.”) which stated, *inter alia*, that **self-propagation** of seedlings **is permitted** (see sec. 22 of respondent no. 1’s principal deposition). Note: contrary to the position of the respondents, propagation

by virtue of **the purchase agreement** is permitted only in consideration of payment of royalties, and if these are not paid, a prohibition on utilization applies (for elaboration see para. 43 below).

The respondents argued that in the case of protected varieties, seedlings of which have been sold or have been marketed in Israel by the holder of the breeders' rights or with his consent, as in the case before us, the breeders' right under sec. 36A of the Law is limited and it applies only to repeated propagation of the variety, and/or to export of propagating material of the variety to countries that do not protect varieties of the species to which that protected variety belongs. However, other actions such as cultivation, sale, and marketing in respect of those protected varieties will not constitute an infringement on the breeders' right within the meaning of the Breeders' Rights Law.

The respondent further argued that he did not refuse to allow the Council representative to visit his fields, but rather made the count conditional upon his presence, and also demanded the "counter" to commit to confidentiality, in view of his previous acquaintance with him, from which it emerged that the "counter" was not careful about maintaining confidentiality (sec. 35 of the statement of defense).

Here it should be pointed out that in his statement of defense, the respondent confirmed that the self-reports that he submitted to the Council with respect to the 1999/2000 and 2000/2001 seasons related to "utilization by way of propagation only" (sec. 36 of the statement of defense).

Finally, the respondent argued that in view of his reading of the defenses in sec. 36A of the Law, the appellants are entitled, at most, to receive relief by way of prevention of propagation, but they are not entitled to receive the relief requested in the statement of claim; according to him, such sweeping relief is contrary to the provisions of the Law.

The Count Conducted in the Respondents' Fields after the Action had been Brought

6. After the action had been brought and judgment had been rendered against the respondents *ex parte* counsel for the respondents notified the appellants, in a letter dated December 7, 2001 as part of the proceeding to set aside the above judgment, that the respondent is prepared to allow a representative of the appellants to visit his fields in order to obtain a first-hand view of the number of varieties that he is cultivating, subject to an undertaking on the part of the representative to maintain confidentiality with regard to the information that will be disclosed to him.

7. The count was conducted in the presence of Respondent No. 1 and his counsel on February 24, 2002, in the wake of said notification and the

setting aside of the judgment rendered against the respondents *ex parte*, revealed that the respondent had cultivated some **180,000 seedlings of the protected varieties**, and a great number of seedlings from the unprotected varieties, over an area of approximately 42 dunams (contrary to earlier statements of the respondent, according to which his land extends over an area of only 25 dunams). It should be noted that the data that appear on the counting forms were submitted to the lower court by the “counter,” who submitted an affidavit and was examined on it, and which data was confirmed by the signature of the respondent on the forms.

The Parties’ Principal Arguments in their Summations in the District Court

8. In their summations in the District Court, the appellants argued that the protection of sec. 36A of the Law cannot relieve the respondents, if only because the respondent admitted that since 1999, he has cultivated gerbera varieties by way of repeated propagation. In this context, the appellants refer to what the respondent said in his cross-examination. That is, when the respondent was asked: “What have you been doing since 1999? Where have you obtained seedlings for the export of gerberas?” he replied: “**What I bought in those years – I have been propagating those varieties to this day**” (Protocol 9.6.2005, p. 12, lines 31-32), and later added that he does not buy seedlings from other growers (p. 13, lines 4-5).

The appellants further argued that the provisions of the **purchase agreement** for the seedlings, on which the respondent attempted to rely, in fact support their claim, for it states there explicitly that

The seedlings that are the object of the order are intended for self-cultivation only; self-propagation is permitted in a vegetative manner only and **for the use of the grower alone**, only on the farm lands that he controls; sale of the seedlings or their transfer to another, whether prior to propagation or thereafter, is prohibited (sec. 4 of the purchase agreement).

And further:

A grower who does not pay the price of the seedling or the royalty or who breaches another of his obligations according to this order **will be barred from utilizing the seedlings or their flowers** in any manner whatsoever (including their marketing and/or export); without derogating from the above said, **the grower hereby gives his consent that in such a case,**

an order prohibiting such utilization may be issued against him (sec. 7 of the purchase agreement)

(Emphasis added – H.M.).

According to the appellants, this is sufficient for the claim to be accepted and the requested relief granted.

In addition, the appellants contended that in accordance with the provisions of sec. 36A of the Law, not only is repeated propagation prohibited, but any utilization involving repeated propagation of the protected variety (marketed in Israel by the breeder or with his consent) is also prohibited.

9. In their summations, the respondents argued that in the cross-examination of the appellants' representative (who also served as the director of the Breeders' Unit in the Council), the true issue underlying the claim emerged: that the alleged refusal of the respondent to allow the count to be conducted in his fields, and consequently to pay royalties for the varieties that are not registered, for such a count includes the non-registered varieties as well, and the grower's signature on the counting form constitutes confirmation of the amount of royalties required for their utilization. As proof, they point to the cross-examination: when the appellants' representative was asked "[i]s it correct, that if [the defendant] would have paid all the royalties, including for non-registered varieties, there would not have been a problem?", he answered: "**[I]f he would have allowed the count and confirmation of its accuracy, there would not have been a problem. . .**" (Protocol 9.6.2005, p. 8, lines 17-19; emphasis added – H.M.). At the same time, the respondents argued that they had indeed agreed that a count be conducted, but they had demanded that it be done only in relation to the registered varieties; the Council representative refused, however, to conduct such a count and insisted that the seedlings of non-registered varieties be counted, too. Also, the respondents raised further arguments concerning the absence of the appellants themselves and their "representation" by the Council representative.

Ultimately, the respondents argued that bringing an action for an injunction—as opposed to a monetary claim, or a claim for a mandatory injunction obligating the respondents to allow the appellants' representative to enter the area and to count the seedlings—is tainted by lack of good faith and amounts to abuse of a right. The respondents also argued that the appellants are in possession, through the Council, of approximately seventy five percent of the protected varieties, and they therefore constitute a monopoly; under these circumstances, the demand made of the respondents to desist from cultivation, marketing, sale, export,

etc. of the protected varieties amounts to a violation of sec. 29 of the Restrictive Trade Practices Law, 5748-1988, according to which “A monopolist may not unreasonably refuse to provide . . . an asset or a service over which the monopoly exists.” Moreover, the respondents argued that in accordance with the general case law on issuing a permanent injunction, in the present circumstances it is unwarranted to grant the appellants the sought relief, thereby cutting off the source of the respondents’ livelihood.

The Ruling of the District Court and the Complementary Judgment Rendered after the Appeal had been Lodged

10. The District Court, as stated, dismissed the appellants’ action for a permanent injunction against the respondents. According to the District Court, the appellants claimed there had been two main infringements: the first is related to the fact that the respondents did not permit the appellants’ representative to access their land in order to count the plants and the second goes to the fact that the respondents’ self-reporting was inaccurate.

As for the argument concerning the first infringement, the District Court ruled that the respondent agreed to the count of the registered varieties, and under these circumstances it cannot be established that he was in violation of the breeders’ rights under the Law, which protects only against “utilization of a registered variety.”

As for the argument concerning the second infringement, with respect to the inaccuracy of the self-reporting submitted by the respondent, the District Court ruled that **it accepts the respondent’s readings of secs. 36 and 36A of the Breeders’ Rights Law**, whereby all the actions, except those expressly prohibited in secs. 36A(1) and (2) of the Law, are permitted. Accordingly, the District Court ruled that the respondent’s actions, including the cultivation of the flowers, their sale, and their marketing, should not be considered actions involving repeated propagation of the variety.

The District Court further determined that the Law assumed that the breeder is entitled to condition utilization of the registered variety upon his consent, and such consent is likely to involve the payment of royalties. However, once an item from a protected variety has been sold once, with the consent of the breeder, within the territory of the State of Israel, the breeder’s consent is no longer required for further utilization of that same variety, except in the situations described in secs. 36A(1) and (2) of the Law. According to the District Court, if the seedling was sold once again, or if the buyer cultivates it, the breeder is not, as a rule, entitled to royalties, unless the buyer “propagates” the seedling by a prohibited

repeated propagation, or effects a prohibited export of propagation material or harvested material of the variety.

Following this, the District Court further determined that under the Law, the respondent has a duty to report those seedlings that were created as a result of repeated propagation of the registered varieties – as the respondent contends he did in the self-reports that he submitted. Indeed, had a count been conducted in “real time,” it would have been possible to test the accuracy of the self-reports, but because the “counter” did not agree to conduct the count (in view of the respondent’s opposition to counting the non-registered varieties), there is no proof that these reports were inaccurate; consequently, there was no “infringement” which would entitle the appellants to relief in the form of an injunction.

Furthermore, the District Court accepted the respondents’ argument whereby the appellants’ reliance on the provisions of the purchase agreement constitutes a prohibited broadening of the scope of the claim; the Court ruled that the question of the appellants’ rights by virtue of the purchase agreement—to which they were not a party—did not arise in the written pleadings and the principal depositions of the appellants.

As an aside, the District Court noted that even had the action been accepted, it would not have been appropriate to issue an injunction against respondent no. 2 (in the judgment, “respondent no. 1” was written by mistake – H.M.) merely because he was the owner of rights in the land on which respondent no. 1 cultivated the flowers. However, the District Court noted that the respondents’ argument that the claim should have been dismissed because the authorized representatives on behalf of the appellants did not appear in court had no merit, for the representatives of the Council appeared on behalf of the appellants and testified about the facts that were known to them.

11. The judgment of the District Court was rendered prior to the final date for submission of responding summations on the part of the appellants, in accordance with the procedural arrangement between the parties that was accorded the force of a ruling. Accordingly, as decided by this Court, the case was returned to the District Court in order for the responding summations to be considered and a complementary decision be given; this indeed was given by the lower court (hereinafter, “the complementary decision”).

In the complementary decision, the District Court ruled that the interpretation attributed in the judgment to sec. 36A of the Law bore a certain degree of similarity to the interpretation proposed by the appellants, whereby “as soon as repeated propagation of the variety is carried out without the authorization or consent of the holder of the rights

in the variety, the chain of authorization is broken.” At the same time, the District Court once again rejected the appellants’ argument that the respondent admitted that he utilized and is utilizing the appellants’ varieties by way of self-propagation, in determining, *inter alia*, as follows:

According to the correct interpretation of sec. 36 of the Breeders’ Rights Law, the grower is entitled to utilize varieties that he purchased from an authorized agent, as long as he does not propagate them. The defendant argued that he purchased the varieties registered to the plaintiff from authorized agents, and that he submitted self-reports to the plaintiffs. The plaintiffs bore the burden of proving that the defendant’s self-report was incorrect, either because the defendant purchased registered varieties without the knowledge of the plaintiffs, or because he did not report the self-propagation of the registered varieties. The plaintiffs did not prove this. At the time the suit was filed, no count had been conducted on the defendants’ land. The count that was conducted after the suit was filed relates both to registered varieties and to those that are not registered, and it is therefore impossible to establish in light of the count, even if we relate to its findings, that the self-report of the defendants was inaccurate. Therefore, the plaintiffs did not prove their claim of infringement regarding the self-reports (paras. 9 and 10).

Therefore the District Court upheld its judgment, and the appeal returned to this Court.

Summary of the Parties’ Arguments on Appeal

12. The appellants argue that in accordance with the Breeders’ Rights Law, utilization of a variety, within the meaning of this term in the Law, requires permission from the holder of the right in the protected variety. The holder of the breeders’ right is entitled, on his part, to prevent any person other than himself from utilizing the variety without his permission, just as a person is entitled to prevent another from entering his house or from using his car. This is certainly the case, according to the appellants, in circumstances where the breeders have lost faith in the growers.

The appellants further argue that they notified the respondents, in a letter dated 20.2.2000, that they were prohibited from utilizing the varieties that had been bred by them, and under these circumstances, the continued utilization of the varieties by the respondents was a violation that *inter alia* entitles the appellants to an injunction, by virtue of sec. 65 of the Law.

According to the appellants, the gerbera seedling produces flowers for the duration of only one season that lasts for approximately one year, and rarely, two years. In their view, at the end of the “life-span” of the seedling, additional seedlings of the protected varieties, or flowers that were produced by repeated propagation, may not be found in the respondents’ fields. From the material that was presented to the District Court it emerges that in the year 1999, the respondent purchased a total of 20,000 seedlings of the registered and the non-registered varieties. Since then, the respondent, to the best of their knowledge, has not purchased additional seedlings of the varieties bred by the appellants, and has based the cultivation of flowers in his fields on seedlings of the varieties bred by the appellants that he produced by way of repeated propagation from seedlings he had purchased in the past. According to the appellants, the self-reports of the respondent (even if inaccurate, as the appellants claim), as well as the count conducted after the suit was filed (with the respondents’ consent, as stated, as part of the proceeding to set aside the judgment given against them *ex parte*), in which the fields of the respondent, extending over an area of some 42 dunams, were found to contain approx. 180,000 seedlings of the registered varieties, constitute proof of the vast extent of utilization of registered varieties by the respondent by way of prohibited repeated propagation.

According to the appellants, a correct interpretation of sec. 36A of the Law is that not only is self-propagation itself “contaminated” and may be prevented, but also any matter which “entails self-propagation,” or is derived from it—such as cultivation of seedlings that were created by way of repeated propagation, marketing of their flowers, and their sale—is not covered by the protections provided under sec. 36A of the Law.

In addition, the appellants argue that the District Court erred in ruling that the respondents were subject only to the duty of reporting repeated propagation, for the Law does not impose any duty of reporting and does not grant immunity to anyone who reports such infringement.

The appellants also contend that respondent no. 2 himself violated their rights in the registered varieties, or knowingly participated in such violation, and the injunction ought therefore to apply to him as well.

13. The respondents agree with the judgment of the District Court, and reiterate the arguments raised there. In addition, they argue that for many years, respondent no. 1 has been involved in repeated propagation of the varieties bred by the appellants, with knowledge of and agreement from. According to the respondents, sec. 36A of the Law restricts the breeders' rights and grants whomever lawfully purchased seedlings from an authorized agent of the breeders a defense against a claim of utilization, in any way whatsoever, of the protected variety, except for ways expressly prohibited in sub-secs. (1) and (2) of sec. 36A of said Law. As such, whereas the "repeated propagation" of the protected varieties without the consent of the breeders is prohibited, the cultivation, marketing, sale, export, import and the like of those seedlings that were lawfully purchased, or that were propagated with the knowledge of the breeders, and of their flowers are permitted, even without obtaining specific permission from the breeders.

Additionally, the respondents argue that even if it should be determined that they were in breach of the rights of the breeders in the registered varieties, relief by way of an injunction is neither appropriate nor correct under the circumstances, for the appellants did not prove that denying the request for an injunction will damage them financially, whereas granting the requested relief to the holders of the right simply because they so desire may financially destroy the respondents, who continue to pay royalties for utilization of the varieties.

Deliberation and Decision

14. This appeal raises several fundamental issues: what is the nature, character, and scope of the breeders' right? Is the holder of a breeders' right in a registered variety entitled to prevent a person whose occupation in Israel is the cultivation of a registered variety and its marketing, from continuing to utilize this variety after its seedlings were sold to him by an authorized agent of the breeder? And if so, under what circumstances, and with what reservations (if any)?

All the parties notified us that they are seeking a determination on these important questions, after attempts at conciliation or mediation conducted between them were of no avail.

The answers to the above questions will be elucidated in the discussion below. Before I embark on that discussion, however, I wish to quote a short passage from *The Little Prince* (an excerpt of which was quoted above), which describes the adventures of the protagonist of the story on Planet Earth. In my view, the simple words of the narrator there can shed light even to those who are not expert in the law on the nature of the right that is the focus of the appeal before us. It goes as follows:

But it happened that after walking for a long time through sand, and rocks, and snow, the little prince at last came upon a road. And all roads lead to the abodes of men.

“Good morning,” he said.

He was standing before a garden, all a-bloom with roses.

“Good morning,” said the roses.

The little prince gazed at them. They all looked like his flower.

“Who are you?” he demanded, thunderstruck.

“We are roses,” the roses said.

And he was overcome with sadness. His flower had told him that she was the only one of her kind in all the universe. And here were five thousand of them, all alike, in one single garden!

“She would be very much annoyed,” he said to himself, “if she could see that . . .”

. . .

Then he went on with his reflections: “I thought that I was rich, with a flower that was unique in all the world; and all I had was a common rose. A common rose . . . That doesn’t make me a very great prince . . .”

And he lay down in the grass and cried.

[. . .]

The little prince went away, to look again at the roses.

“You are not at all like my rose,” he said . . .

“To be sure, an ordinary passer-by would think that my rose looked just like you – the rose that belongs to me. But in herself alone she is more important than all the hundreds of you other roses: because it is she that I have watered; because it is she that I have put under the glass globe; because it is she that I have sheltered behind the screen; because it is for her that I have killed the caterpillars . . . because it is she

that I have listened to, when she grumbled, or boasted, or even sometimes when she said nothing. Because she is *my* rose.”

(Antoine de Saint-Exupéry, *The Little Prince*; trans. from the French by Katherine Woods, Pan Books, pp. 62-3, 70 (1974)).

I shall now proceed to a legal analysis of the case.

15. Since the beginning of time, plants and flowers have been supplying the human race with a major part of its needs. We use them, *inter alia*, as food, as raw material for industry, for medicinal purposes, as cosmetics, as ornaments, and even to express emotions. The breeding of new varieties of plants is a process requiring a great deal of knowledge, money and time. The breeding period may sometimes last for many years. From recognition of the importance of the continued investment in the breeding of new plant varieties, breeders’ rights laws began to develop. In their essence, such laws grant a plant breeders’ right of a proprietary nature to a person who has bred a new variety of a plant. This right is similar in nature to the right of a person who was granted a patent for his invention. Similar to patent law, the law of breeders’ rights grants the breeder of the protected variety, who is lawfully registered in the register of rights, exclusivity for a limited period of 20 or 25 years from the date of registration (subject to exceptions secs. 4, 38-44 of the Breeders’ Rights Law), during which he is, in principle, the only one authorized to utilize the variety, or to allow others to utilize it, in return for payment of royalties. The purpose of breeders’ rights law is to incentivize breeders to develop new varieties of plants which people are able use and from which they can derive benefit, by means of granting an exclusive (monopolistic) right to utilize the variety bred by the breeder during the protected period, to allow the breeder to retrieve the costs of his investment in breeding the variety, as well as to make a reasonable profit. These laws grant proprietary rights to a person who displays innovation in developing plant varieties, and as a rule, they create a balance between the desire to encourage freedom of thought and creativity and their various expressions in order to advance the individual and society through the discovery of new varieties and the desire to allow utilization of those varieties for commercial purposes, for the benefit of others (such as growers, merchants, marketers, etc.) and for the benefit of society at large (see: Doron Brosh, *Breeders’ Rights and Patents and Statutory and Institutional Regulation in the Agricultural Sector* vol. 1 (2006) (hereinafter: Brosh), 89-91).

16. The legislation in the area of breeders' rights in Israel, as in many other states, is based primarily on the International Convention for the Protection of New Varieties of Plants, which was signed in Paris in 1961 and was amended in Geneva in 1972, 1978 and 1991 (hereinafter, "the Convention", within its meaning in the Breeders' Rights Law as well).

Similar to other international conventions and agreements in the area of intellectual property, the Convention was designed to create international cooperation in the protection of the rights of breeders of new varieties of plants. The provisions of the Convention express a balance between the interests of the agricultural production for the benefit of the public, and the property interests of the breeder, and they create a basis for uniform legislation in the states that are members of the Union for the Protection of New Varieties of Plants (UPOV), which was established by virtue of the Convention (see: articles 1-4 of the Convention).

Following the amendment of the Convention in 1991, and its execution by the State of Israel in October of that year, and in order to adapt the provisions of the Breeders' Rights Law, enacted in 1973 to the provisions of the amended Convention which expanded the breeders' rights, the Israeli Law was amended on 13.2.1996 by the Plant Breeders' Rights Law (Amendment no. 2) 1996 (hereinafter: the 1996 Amendment).

Within the 1996 Amendment, the legislator amended, *inter alia*, the definition of the terms "variety" and "utilization" as they appeared in the Law, and expanded the right of breeders, applying it also to "harvested material" ("a plant and any part of it, including its fruit, which is not intended for cultivation or propagation" (sec. 1 of the Law)) which was obtained by unauthorized utilization of propagating material of the protected variety (sec. 36(b) of the Law). With this, the definition of the term "harvested material" was also amended to extend to "a plant and any part of it, which is intended for cultivation or propagation, including seeds and tissue cultures" (sec. 1 of the Law). It was further established that the protection of the breeders' right would also apply to "a variety essentially derived from the protected variety" (sec. 36(e) of the Law). Similarly, sec. 2 of the Law was amended, to state that the provisions of the Law would apply "to all botanical species and varieties," and not only to "all botanical species and varieties **specified in the appendix**" (emphasis added – H.M.), as appeared in the previous version.

17. In accordance with the provisions of the Law, the breeders' right in the variety, which is essentially "a group of plants within a single botanical taxon of the lowest known rank" (for a full definition of "variety," see sec. 1 of the Law) will be vested in a person, including a corporation (see sec. 4 of the Interpretation Law, 1030-1981), when the

right is registered in his/its name in the breeders' rights register and subject to the variety fulfilling all the conditions that render it eligible for registration, under secs. 6-7 of the Law: primarily, that it is a "new," "uniform" and "stable" variety, within the meaning of these terms in secs. 6 and 7 of the Law.

The breeders' right in the protected (registered) variety will remain in force as long as the registration remains in force (sec. 4 of the Law). The duration of the breeders' right is normally 20 years from the date of registration. With respect to certain varieties specified in the Law, the right of the breeder endures for a period of 25 years from the date of registration. In certain cases, as determined by the Minister of Agriculture, the period may even be longer (see: sec. 38 of the Law).

18. As a rule, it is possible to register a right in a variety that was bred in Israel in the breeders' rights register (sec. 3(a) of the Law). At the same time, "[a]n Israel citizen, an Israel resident or **a resident of a Union state – including a body corporate established by law in Israel or in a Union state** – may apply for the registration of a breeders' right in the Register of Rights **also in respect of a variety bred outside of Israel**" (sec. 3(b) of the Law; emphases added – H.M.; to complete the picture in this context, see also secs. 71-73 in Chap. 10 of the Law, dealing with "Application by non-resident").

These provisions demonstrate the fact that beyond the purpose of encouraging agriculture and the development of new plant varieties in Israel, the legislator wished, *inter alia*, to encourage breeders from abroad to allow Israeli growers to utilize the varieties that they bred overseas and to market them in Israel, without concern about infringement of their rights here, as well as the desire to facilitate the integration of Israel into the European Common Market. This desire found expression in the words of the then-Minister of Agriculture, when he submitted that draft law for its first reading in the Seventh Israeli Parliament (D.K., Session 177 of 3.5.1971, folder 24, p. 2278):

The breeding of a new variety requires work over a long period. Much time, knowledge and resources must be invested. In the present situation, when there is no law for the protection of the breeder and his rights, he sees no reward for his work. For every person, after the variety appears on the market, can buy the seeds and utilize them without the breeder himself earning what is due to him. Therefore, just as there is a need to protect inventions and patents, there is

also a need to protect breeding rights. The lack of protection of breeding rights in Israel causes additional problems[. Recently, foreign countries have grown hesitant to send new varieties to us, even if only for trial purposes, unless the variety is registered and the breeder's rights are ensured in Israel. This has already caused a fairly significant number of new varieties—which, had they been cultivated in Israel could have contributed to the growth of agricultural production—to be withheld from us.

The then-Minister of Agriculture subsequently explained the need to enact a law, *inter alia*, as follows:

[T]he enactment of a law for the protection of breeders' rights is a precondition for Israel's participation as a member in the International Convention for the Protection of New Varieties of Plants, and if we are to join this Convention in the future, the varieties that are bred in Israel will also be protected in foreign countries that are members of the Union. Moreover, this may also facilitate our integration in the European Common Market, which intends in the future to trade only in those varieties that have been checked and examined in their country of origin, and with respect to which there is an authorized body that preserves the purity of the variety.

19. Upon registration of a protected variety, the right of its breeders is considered intellectual property, similar to a patent (CA 2909/98 *North Fodder Ltd. v. Hazera (1939) Ltd.* [2], at p. 656). Upon registration, the breeder acquires a proprietary right in the variety, which gives him the power to prevent another person from utilizing, without his consent, or unlawfully, the variety in respect of which the right had been registered.

Section 36 of the Law states as follows:

36. (a) Subject to the provisions of this Chapter and of Chapter Seven, **utilization of a registered variety requires authorization obtained from the holder of a breeder' right to that variety.**
- (b) The holder of the breeders' right **may prevent** any other person **from utilizing – without his authorization or unlawfully – the**

variety in respect of which the right is registered (hereafter: protected variety); an aforesaid utilization constitutes infringement.

(Emphases added – H.M.)

This provision is similar in essence to sec. 49 of the Patents Law, 5727-1967 (hereinafter, the Patents Law), which states that the owner of a patent is entitled “to prevent any other person from utilizing without his authorization or unlawfully the invention in respect of which the patent was granted...”.

20. In the definitions section of the Law (sec. 1), “utilization,” for the purposes of a variety, is defined as:

- (1) its cultivation or propagation;
- (2) its preparation for propagation;
- (3) an offer for sale;
- (4) its sale, export, import or marketing in any other manner;
- (5) its maintenance for purposes of one of the acts enumerated in this definition;
- (6) other acts, determined by the Minister with approval by the Knesset Economics Committee

21. Section 65 of the Law regulates the relief that may be granted in cases of infringement of breeders’ rights. The rule is that “**in an action for infringement, the plaintiff is entitled to relief by way of injunction** and by way of compensation” (sec. 65(a) of the Law; emphasis added – H.M.).

Within the bounds of the expression “relief by way of injunction” as stated in sec. 65 of the Law, the relief of an **injunction** is naturally included. This is so primarily in view of the provision of sec. 36(b) of the Law which states, as aforesaid, that “[t]he holder of the breeders’ right may **prevent** any other person from utilizing—without his authorization or unlawfully—the variety in respect of which the right is registered (hereinafter, “protected variety”); an aforesaid utilization constitutes infringement.”

Section 65 of the Law also states that in determining compensation, the court shall take the defendant’s act of infringement into account, as well as the plaintiff’s status as a consequence of that act, and it may also take into account, *inter alia*, the direct damage caused to the plaintiff, the extent of the infringement, the profits derived by the infringer from the act of infringement, and reasonable royalties the infringer would have been obliged to pay had he been licensed to utilize the breeders’ right to the

extent of the infringement (sec. 65(b) of the Law). The Law further states that where an infringement is committed after the plaintiff has given prior notice to the infringer, the court may also order the infringer to pay punitive damages, as long as the amount does not exceed the amount of compensation determined by the court under sub-sec. (b) of sec. 65 of the Law (see sec. 65(c) of the Law). In addition to the above relief, the Law provides that where compensation is claimed, the court may order the defendant to report the extent of the infringement (sec. 65(d) of the Law).

It should be noted that these provisions, too, parallel the provisions of the Patents Law dealing with infringement (cf. secs. 178-187 of the Patents Law).

To complete the picture I will add that under the provisions of the Law, a deliberate infringement of a registered breeders' right (even during the period between submission of an application for registration and the actual registration), non-fulfillment of obligations imposed by virtue of the Law, or disclosure of information from the sessions of the Breeders' Rights Committee that were held *in camera*, all amount to a criminal offence (secs. 82-84 of the Law).

Alongside the above provisions of the Law granting the holder of the breeders' right broad proprietary protection, which is intended to encourage the development of new varieties of plants, there is also a natural reluctance to create monopolies in the market. Therefore, as against the broad proprietary protection, the Law imposes constraints on the breeder's rights that are designed, *inter alia*, to create a balance between the interest of the breeder in protecting the variety he has bred, and the public interest in protecting the freedom of occupation and competition, to assure the existence of a free market of plant varieties (which includes, in addition to flowers, vegetables, fruits, medicinal plants and more), and to advance the interest of consumers in reducing prices and in improving the quality of the product (cf. CA 2600/90 *Elite, Israel Chocolate and Sweets Factory Co. Ltd. v. Serange* [3], at 804). These constraints find expression, *inter alia*, in limiting the period in which the breeders' right is valid, in imposing a duty to publish the details of the variety in public, in allowing for revocation of the right in a registered variety when certain conditions are fulfilled (sec. 29-30 of the Law), and in imposing restrictions on the registration of names of varieties (secs. 31-35 of the Law).

In addition, the Law allows for certain utilizations of the registered variety, **even without the consent of the holder of the breeders' right**. For example, every person may utilize propagating material of the registered variety for the purpose of conducting experiments for the

development of a new variety (sec. 37(1) of the Law), and may utilize a registered variety for the purpose of research, science or laboratory tests, and also **for any act performed privately and not for commercial purposes** (sec. 37(2) of the Law).

The Law also recognizes the possibility of granting a compulsory license (i.e., a license to utilize the protected plant even without the consent of the holder of the breeders' right) to a person who is interested in utilizing the registered variety for the purpose of production of a medicinal remedy (sec. 40 of the Law), or in cases of abuse of the right in a way that compromises the public interest (sec. 41 of the Law).

Thus, together with granting a broad protection to the intellectual property, the Law grants relative protection to the public interest in the existence of freedom of occupation and competition (cf. LCA 6025/05 *Merck & Co. Inc. v. Teva Pharmaceutical Industries Ltd.* (19.5.2011)).

Section 36A of the Law – Exhaustion of Breeders' Rights

23. As part of this balance, sec. 36A was added to the Law in the 1996 Amendment. This section states as follows:

Exhaustion of Breeders' Right:

36A. The right of a holder of a breeders' right **shall not apply** to the utilization of a protected variety and of a variety essentially derived from it, if the variety was sold or otherwise marketed – by the holder of the breeders' right or with his consent – in the territory of the State of Israel, **unless** the utilization **involves** one of the following –

(1) **repeated propagation of the variety;**

(2) export of propagating material or of harvested material of the variety, which makes it possible to propagate it in a country that does not protect varieties of the genus or species to which the protected variety belongs, **except** aforesaid export for purposes of consumption.

(Emphases added – H.M.)

This section was added prior to the vote on the government bill to amend the Law on its second and third readings (and it therefore does not appear in the bill), based on sec. 16 of the Convention, which states, *inter alia*, as follows:

Exhaustion of the Breeders' Right

(1) [*Exhaustion of right*] The breeder's right shall not extend to acts concerning any material of the protected variety, or of a variety covered by the provisions of Article 14(5), which has been sold or otherwise marketed by the breeder or with his consent in the territory of the Contracting Party concerned, or any material derived from the said material, unless such acts

(i) involve further propagation of the variety in question or

(ii) involve an export of material of the variety, which enables the propagation of the variety, into a country which does not protect varieties of the plant genus or species to which the variety belongs, except where the exported material is for final consumption purposes.

(2) [*Meaning of "material"*] For the purposes of paragraph (1), "material" means, in relation to a variety,

(i) propagating material of any kind,

(ii) harvested material, including entire plants and parts of plants, and

(iii) any product made directly from the harvested material.

(3)...

24. Section 36A of the Law limits the application of the breeders' right – and consequently, the power of the holder of the right to take steps to prevent utilization of the registered variety – in cases in which the protected variety is sold, or otherwise marketed, by the holder of the breeders' right, or with his consent, in the territory of the State of Israel, unless the utilization involves one of the uses mentioned in subsecs. (1) and (2) of the said section.

Similar provisions can be found, with slight variations, in the laws of other developed countries that are members of UPOV and are signatories to the Convention, such as Australia, England, Ireland, Germany, Denmark and others (the laws of the members of the Union are published, on the Union's website, at www.upov.int/upovlex/en).

In enacting sec. 36A, the legislator entrenched the **doctrine of exhaustion of rights** (or **first sale doctrine**) in the Breeders' Rights Law; this was a doctrine developed in case law on other forms of intellectual property, such as patents, trademarks, and copyright (for a review of the sources of the **first sale doctrine** and its development in copyright law, and for a discussion of the implications of restricting the "first sale doctrine" by means of a licensing regime, see: Niva Elkin-Koren, "Copyright in Competition – Restriction on Downstream Distribution in Users License Agreements" (Heb.) 2 *Din Udvarim* 485, 513-515 (hereinafter: Elkin-Koren), and see also in a similar context, my opinion in CA 4630/06 *Sheffer v. Tarbut La'am (1995) Ltd.* [5]; regarding the application of the doctrine in patent law, see: HC 5379/90 *Bristol-Meyers Squibb Co. v. Ministry of Health* [6]; and regarding trademarks, see: CA 471/70 *R. Geigy S.A. v. Pazchim Ltd.* [7]).

25. The **first sale doctrine** generally restricts the right of the intellectual property owner to control what others do with the product or good to which the intellectual property rights attach, after it has been sold by the holder of the right or with his consent. The rights are limited in that the owner of the intellectual property does not have the right to prevent personal use of the object to which the intellectual property right attaches, or to restrict future transactions involving the property and its transfer to a third party (see and cf.: CA 326/00 *Holon Municipality v. NMC Music Ltd.* [8]). In a similar vein it was held that after a manufacturer has sold his merchandise, he cannot, by virtue of reputation, continue to control the channels of distribution (LCA 371/89 *Leibowitz v. A. et Eliahu Ltd.* [9]).

At the same time, as a rule, the **first sale doctrine** does not have the effect of exhausting the right of the owner of the intellectual property to **prevent** others from producing, without his permission, additional "copies" of the product, or of the protected goods (unless this was done within the bounds of the "permitted utilization" that is exempt from the requirement of obtaining permission – and in relation to our material, *inter alia*, as part of utilization of a registered variety "for any act performed privately and not for commercial purposes" (see: sec. 37(2) of the Law)). On this matter an analogy may be drawn from the case law in the United States with respect to exhaustion of the right of the holder of a patent in plant seeds (under US law, "breeders' rights" are also protected by means of patent law). Recently (13.5.2013), the US Supreme Court ruled unanimously, in the matter of *Bowman v. Monsanto Co et al.* [44], on an issue similar to that before us, stating as follows (per Justice E. Kagan):

The doctrine of patent exhaustion limits a patentee's right to control what others can do

with an article embodying or containing an invention. Under the doctrine, “the initial authorized sale of a patented item terminates all patent rights to that item.” (...) and by “exhaust[ing] the [patentee’s] monopoly” in that item, the sale confers on the purchaser, or any subsequent owner, “the right to use [or] sell” the thing as he sees fit (...). We have explained the basis for the doctrine as follows: “[The purpose of the patent law is fulfilled with respect to any particular article when the patentee has received his reward ... by the sale of the article”]; once that “purpose is realized the patent law affords no basis for restraining the use and enjoyment of the thing sold.” (...) Consistent with that rationale, the doctrine restricts a patentee’s rights only as to the “particular article” sold ...; it leaves untouched the patentee’s ability to prevent a buyer from making new copies of the patented item. “[T]he purchaser of the [patented] machine ... does not acquire any right to construct another machine either for his own use or to be vended to another.” (...) Rather, “a second creation” of the patented item “call[s] the monopoly, conferred by the patent grant, into play for a second time.” (...) That is because the patent holder has “received his reward” only for the actual article sold, and not for subsequent recreations of it. (...). If the purchaser of that article could make and sell endless copies the patent would effectively protect the invention for just a single sale... (*Bowman v. Monsanto* [44], at pp. 4-5).

The economic logic underlying **the doctrine of exhaustion** and its restriction is, therefore, clear. The purpose of the legal protection of intellectual property is to ensure that the creator who invents or breeds, or who invested in the production of the item that is the object of the intellectual property right, will, for a limited period, be awarded market exclusivity, which will allow him to pay off his investment and gain reasonable profit. The need to create a legal monopoly of this type stems

from the fact that the products, objects of the intellectual property rights (creations, inventions, plant varieties that were bred and so forth) are usually in the nature of public goods (i.e., products that many can make use of at the same time, without utilization by one person affecting the utilization made by another or detracting from his enjoyment) that are relatively cheap to copy. In the absence of broad legal protection, competitors may distribute copies of the “protected” product at a price close to the marginal cost of producing the copy, and the person who invested in the costs of production, invention, or breeding will find it difficult (or will be completely unable) to sell copies of his creation, the invention that he invented, or the variety that he bred, at a price that reflects his investment in the production, development, or breeding, as well as reasonable profit. The concern is that thereby the incentives for investing in the creation of works, the development of inventions, or the breeding of new plant varieties will be negatively impacted (see and cf.: Elkin-Koren, at p. 488). In this lies the appropriate balance between the interests of the owner of the intellectual property right in a creation, and the public interest in deriving benefit from those items to which intellectual property rights attach. Similar reasoning was expressed in the syllabus of *Bowman v. Monsanto* [44], as follows:

By planting and harvesting Monsanto’s patented seeds, Bowman made additional copies of Monsanto’s patented invention, and his conduct thus falls outside the protections of patent exhaustion. Were this otherwise, Monsanto’s patent would provide scant benefit. After Monsanto sold its first seed, other seed companies could produce the patented seed to compete with Monsanto, and farmers would need to buy seed only once.

26. Thus, along with applying the **exhaustion of rights doctrine** as specified at the beginning of sec. 36A of the Law—the meaning of which is, as stated, that after the first sale of a seedling of the registered variety by the holder of the breeders’ right or with his consent, within the territory of the State of Israel, the breeder has exhausted his rights in that seedling—the Law (following the provisions of the Convention) prescribed two reservations, upon fulfillment of each of which the breeder “regains” the array of rights conferred upon him by the Law, defined in the term “utilization” in sec. 1. The first reservation (which is the one relevant here) relates to **utilization that involves repeated propagation of the variety** (sec. 36A(1) of the Law); the second reservation concerns the export of propagating material, or of harvested material of the variety,

which makes it possible to propagate that variety in a country that does not protect varieties of the genus or species to which the protected variety belongs, except export as aforesaid for “private” purposes of consumption (sec. 36A(2) of the Law).

27. As a natural consequence of the combination of the provisions of the Law discussed above with other relevant provisions of the Law, the legal situation that emerges is as follows:

All “utilization,” in the broad sense of this term in sec. 1 of the Law, of a registered variety, without the permission of the holder of the breeders’ right, or without permission having been given under the Law (for example: within the bounds of the permitted utilizations by virtue of sec. 37 of the Law, such as utilization “for any act performed privately and not for commercial purposes” (sec. 37(2) of the Law) – constitutes an **infringement** on the breeders’ right, which confers upon the breeder the right to prevent the infringer from continuing to utilize the protected variety by means of an injunction (alongside additional measures of relief). The sale or marketing in any other way of an item of the protected variety by the holder of the breeders’ right or with his consent in the territory of the State of Israel exhausts the breeder’s right with respect to that item; he cannot take the steps consigned to him in the Law against a person who utilizes the registered variety, **unless the utilization involves the repeated propagation of the protected variety** (or prohibited export as stated in sec. 36A(2) of the Law), in which case the power and rights of the holder of the breeders’ right are restored to him, and he is entitled to take measures afforded to him by the Law against a person who utilizes the registered variety in these ways without his permission or unlawfully, thereby infringing on his proprietary right, and to receive the full relief that the Law grants to the holder of the right in the case of infringement, including an injunction.

28. The practical significance of the above provisions is that from the time the seedling of a protected variety is sold or otherwise marketed in Israel by the holder of the breeders’ right or with his consent, said holder will have no claim against a person who utilizes the protected variety by way of cultivation, sale, import, export, or marketing in any other manner of the seedling, or by way of maintaining it for the purpose of one of the said acts, as long as these acts do not involve repeated propagation of the variety or the importing of propagating material or harvested material of the variety that allows for its propagation in a country that does not protect varieties of the genus to which the protected variety belongs, except for purposes of consumption, as stated in sec. 36A(2) of the Law.

On the other hand, repeated propagation of a protected variety—for commercial purposes—as well as cultivation, offer for sale, or sale, export, import, or marketing by any other means, or maintaining – for the purpose of performing any of these acts – the seedlings of the protected variety which were created by way of repeated propagation (or of products of the protected variety, the product that was derived from them, or the product that they produced, such as their flowers, their fruits etc., as will be elucidated below), amount to an infringement on the breeders’ right (unless explicitly permitted, and the conditions of the permission are met). Such infringement engenders entitlement to relief that will prevent the continuation of the infringement in these ways, even if the product of the protected variety was initially sold or otherwise marketed in the territory of the State of Israel by the holder of the breeders’ right or with his consent.

It should be stressed that exhaustion of rights following the first sale of the item of the variety was intended, *inter alia*, to prevent the breeder from attributing an “infringement” to the “end users” who “utilize” the protected variety for their own use, as long as no “repeated propagation” for commercial purposes is involved. Accordingly, a person who has lawfully acquired seedlings of the protected varieties from the holder of the breeders’ right, or from his authorized agent, is entitled to possess them, to cultivate them, or to trade in them *per se*. The seedling, from the time of its purchase, is the property of the purchaser, who in principle, and subject to the reservations specified in the terms of purchase of the seedlings, or in the license that he was granted, is entitled to utilize it as he wishes, without the prior permission of the holder of the breeders’ right. Section 36A of the Law also allows the grower to utilize the products of the protected variety, for the purpose of producing a crop from the seedling and selling what he produces, **in the first period of sale** (or in the period that was set in the terms of purchase of the seedling, in an agreement between the parties, or in the license granted to the grower), and even to export the produce for the purpose of consumption (sec. 36A(2) (end) of the Law), without him (or another purchaser of the produce) being in violation of the Breeders’ Rights Law. At the same time, **the grower who purchased seedlings of the protected variety may not “produce” new seedlings from them for commercial purposes by way of “repeated propagation” without the permission of the holder of the breeders’ right** (see, in a similar context, the prohibition on “copying” prescribed in the Copyright Law, 2199-2007 (hereinafter: the Copyright Law). This is also the natural conclusion in view of the other provisions of the Breeders’ Rights Law. For example, sec. 37(1) of the Law in fact allows for the utilization of propagating material of the

registered variety for the purpose of experimentation towards the development of a new variety, but at the same time it states that “no person shall utilize the propagating material of a registered variety **repeatedly**, without permission from the holder of a breeders’ right, **for the commercial production** of another variety.” In a similar vein, sec. 37(2) of the Law states that every person is entitled, without the consent of the holder of the breeders’ right, to utilize a registered variety, *inter alia*, for “any act performed privately **and not for commercial purposes**” (cf. in a similar context: sec. 48 of the Copyright Law, which states that the sale or rental, including offering or displaying for sale or rental, or the possession for a commercial purpose; or distribution on a commercial scale; or the exhibiting to the public in a commercial manner, or the importing into Israel not for personal use of an infringing copy under the Law, done knowingly by a person, constitutes infringement of a person’s copyright in the creation).

29. In view of the above, the District Court was correct in holding that after the item of the registered variety had been sold once with the consent of the breeder, there was no longer a requirement, under the Law, for the consent of the breeder to the further “utilization” of the variety, for example, by way of cultivation, sale, marketing of the seedling, or of the seedlings that were purchased, or of the flowers produced from them, unless the “utilization” involves “reproduction” of the protected variety and the creation of additional seedlings from it. At the same time, the Court was not sufficiently precise regarding the legislative provision that for the purpose of such propagation and for the purpose of any “utilization” (that is not for purely private use) that **involves the repeated propagation of the variety** – the consent of the holder of the breeders’ right must be obtained anew, and regarding the ramifications of not obtaining such consent.

30. From all of the above it emerges that in order to succeed in his action and to receive injunctive relief, the holder of the registered breeders’ right in a protected variety, an item of which has been sold, or marketed in another way, by him, or with his consent, in the territory of the State of Israel, must prove that the defendant is **utilizing** – within the meaning of the term in sec. 1 of the Law – the registered variety, for a purpose not included as one of the permitted purposes in secs. 36 and 37 of the Law, and is doing so without the breeder’s permission, in a way that “involves repeated propagation” of the variety (or in a manner described in sec. 36A(2) of the Law). Except here, several additional issues may arise, on four levels:

(a) What constitutes “utilization involving repeated use of the variety”? Should this term be interpreted narrowly so as to refer only to

the actual repeated propagation *per se*, as the respondents argue, or should the interpretation be broad, such that this term includes every act in connection with the repeated propagation that is performed on the variety, including; for example, maintenance of the seedlings that were propagated, their cultivation, and the sale of the yielded product .

(b) Considering that the items of the registered variety were initially sold or marketed with the consent of the holder of the right in Israel, how should the holder's consent be obtained for "utilization that involves repeated propagation of the variety"? Should this permission be given in advance and expressly, or is it sufficient that there be implied permission evident from the conduct of the parties, even retroactively? Is self-reporting about utilization by way of repeated propagation sufficient, or must the grower allow a representative on behalf of the holder of the breeders' right to determine for himself the extent of the repeated propagation? Is it sufficient that royalties for utilization by way of repeated propagation are paid, and that they are received by the holder of the breeders' right, in order to "legalize" the repeated propagation? And does the holder of the breeders' right have the power to prevent the grower who purchased the variety from him (or from his authorized agent) from utilizing the registered varieties that he bred, once the breeder lost faith in the grower in view of a controversy as to the extent of the utilization reported by the grower and the royalties that he paid for it?

(c) Naturally arising from the answers to the questions posed in subsections (a) and (b) above is the question of the scope of the injunction to which the holder of the breeders' right in the items of the registered variety that were sold or marketed with his consent within the State of Israel is entitled in the case of infringement on his right to utilization involving repeated propagation of the variety for commercial purposes. Will the injunction extend in this case to all "utilization," within the meaning of this term in sec. 1 of the Law, or every seedling of the registered variety, as the appellants contend? In other words, following the infringement, is the holder of the breeders' right entitled to prevent the infringer from cultivating and marketing seedlings and flowers of the registered varieties even if these are not the product of repeated propagation, or are not maintained by the grower for the purpose of repeated propagation (see the sweeping formulation of the requested injunction – para. 2 above); alternatively, as the respondents contend, is the holder of the breeders' right entitled to prevent only the act of repeated propagation of the variety; or might the answer lie somewhere in between these two approaches?

(d) As part of the discussion on these issues, an answer is also required to the question of whether "public" considerations such as

considerations of “equity,” “good faith,” “fairness,” “reasonableness,” “proportionality,” “justice,” “balance of convenience,” and so forth must be taken into account when the court grants injunctive relief to a person whose registered breeders’ right has been infringed upon, or whether granting such relief is obligatory (“automatically”) when it is proved that the registered breeders’ right has been infringed on?

I shall now proceed to a discussion of these questions.

What is “Utilization Involving Repeated Propagation of the Variety”?

31. Regarding the first question posed in para. 30(a) above, it is clear that the bounds of the expression “utilization involving repeated propagation of the variety” that was added to the Law in the 1996 Amendment, with the aim of broadening the breeders’ right, include the **“repeated propagation” itself** (and even the respondents do not appear to dispute this), as well as the **sale and marketing** in any way (including export and import) of seedlings that were “created” by way of repeated propagation. The Tel Aviv District Court (per Judge U. Shtrousman) has so held over twenty years ago (prior to the addition of sec. 36A to the Law in the 1996 Amendment) in CF (Tel Aviv) 1377/92 *Hazera (1939) Ltd. v. Southern Agricultural Produce Ltd.* [40]. In that case, a temporary injunction was requested until the principal action is decided. The District Court stated as follows:

Just as the holder of a patent may prohibit an imitation of the patent, so too is the holder of a breeders’ right permitted to prevent an “imitation” of the variety – one which is produced by utilizing the seeds of the variety after they have matured for the purpose of planting the new generation of that same variety. The defendant is permitted to purchase the wheat crop of the “Ariel” variety prior to the harvest, in the year of the harvest or thereafter, but it is **not permitted to derive from the wheat group eligible for that purpose seeds of the variety protected under the law, nor to market them.** The prohibition on “imitation” of the variety, i.e., the prohibition on involvement in the propagation of the variety without the consent of the holder of the breeders’ right, is the protection that is offered by the legislator to the holder of the right in order to encourage breeding of varieties and investment in the

experimentation required for that purpose, similarly to the protection afforded to the inventor of a patent so that his invention will not be utilized by others without his consent.

A similar approach was adopted by this Court in CA 2909/98 *Northern Feed Ltd. v. Hazera (1939) Ltd.* [10], which held as follows:

Under the circumstances of this case, there is no dispute that the Northern Company utilized, in its actions, the varieties in respect of which the right had been registered. Under sec. 36(a) of the Law the holder of the breeders' right is entitled to prevent any person from utilizing, without his permission or unlawfully, the variety with respect to which the right has been registered. The provision adds that unlawful utilization will constitute an infringement (at p. 656, para. 8).

And also:

...There is no substantive logic in restricting the term [propagating material – H.M.] to breeders' seeds, since such interpretation would greatly limit the scope of the protection afforded to the breeder. The result would be that a person who utilized the later generations of the variety would in no way be considered as infringing on the breeder's right. **Such a result is inconceivable...** (ibid., at pp. 662-3, para. 22).

And just recently, the US Supreme Court ruled in *Bowman v. Monsanto* [44], in circumstances similar to those of our case, stating as follows (pp. 1-4):

The question in this case is whether a farmer who buys patented seeds may reproduce them through planting and harvesting without the patent holder's permission. We hold that he may not ... Monsanto sells, and allows other companies to sell, Roundup Ready soybean seeds to growers who assent to a special licensing agreement ... That agreement permits a grower to plant the purchased seeds in one (and only one) season. He can then consume the resulting crop or sell it as a commodity, usually to a grain elevator or agricultural processor ...

But under the agreement the farmer may not save any of the harvested soybeans for replanting, nor may he supply them to anyone else for that purpose ... the exhaustion doctrine does not enable Bowman to make additional patented soybeans without Monsanto's permission (either express or implied). And that is precisely what Bowman did ...

As part of its ruling, the US Supreme Court dismissed Bowman's argument concerning the application of the doctrine of exhaustion of rights in the circumstances of the case. It also dismissed Bowman's argument whereby his act constituted standard utilization that farmers and growers make of seeds. Neither was the argument that this was a case of "self-propagation" of the seeds accepted (for similar case law related to the doctrine of exhaustion, which too was entrenched in the Australian Breeders' Right Law, following the amendment of the Convention in 1991, see *Cultivaust v. Grain Pool* [46]).

32. Moreover, in my view, the expression "utilization involving repeated propagation" of the protected variety contains within its bounds not only propagation *per se* (as the respondents would have it), but also any utilization (within the definition of this term in sec. 1 of the Law) of the protected variety and of its "harvested material" (such as its flowers, its fruits, etc.) that were obtained as a result of its utilization, without the permission of the breeder, by way of repeated propagation. In other words, cultivation (for commercial purposes) too, as well as the sale, offer for sale, export and import, or marketing in any other way of plants of a registered variety, which were "produced" by way of repeated propagation without the breeder's consent, as well as the **yield of these**, such as the flowers of those seedlings, their fruits etc., amount to "utilization involving repeated propagation of the variety" that constitutes an infringement on the breeders' right. **Thus, the law applying to the fruit/flower is the same as that applying to the plant.**

Moreover, given the definition of the term "utilization" in sec. 1 of the Law (which was amended in the 1996 Amendment too), the "preparation for propagation" and the maintenance of the variety for the purpose of repeated propagation (for commercial purposes), also fall within the bounds of the expression "utilization involving repeated propagation of the variety" that amounts to an infringement on the breeders' right.

This broad interpretation is mandated by the express language of sec. 36A of the Law, which excludes from the "protection" of sec. 36A not

only utilization of the variety by way of repeated propagation, but also any utilization that **involves** the said repeated propagation.

This interpretation is also consistent with the **purpose** of the 1996 Amendment, which was intended to expand the protection of the breeders' right, and with the **international obligations of the State of Israel**, by virtue of the provisions of art. 16 of the Convention, whereby –

The breeder's right shall not extend to acts concerning any material of the protected variety, or of a variety covered by the provisions of Article 14(5), which has been sold or otherwise marketed by the breeder or with his consent in the territory of the Contracting Party concerned, or any material derived from the said material, unless such acts **involve** further propagation of the variety in question ...

(Regarding using the Convention as an interpretive reference for the Breeders' Rights Law, see: *Northern Feed Ltd. v. Hazera (1939) Ltd.* [10]).

The proposed interpretation is also consistent with the provisions of sec. 36(c) of the Law, which too was added in the 1996 Amendment, and which states:

The right of a holder of a breeders' right **shall also extend to harvested material**, including entire plants and parts of plants, **which were obtained by the unauthorized use of propagating material of the protected variety**, unless the holder of a breeders' right was given a fair chance to realize his rights in respect of the propagating material. (Emphasis added – H.M.).

From this provision it emerges that the legislator sought to **expand** the scope of protection of the breeders' right and to apply it to all parts of the plant, including its fruit, which is not intended for cultivation or propagation (see the definition of "harvested material" in sec. 1 of the Law), including the flower that grows from the plant, **which was obtained by unauthorized use of propagating material** from the protected variety.

Further support for the proposed interpretation may be found in the provisions of sec. 63 of the Law, which states: "Where a product of a registered variety is lawfully forfeited, its utilization shall not constitute infringement, **unless it is the product of repeated cultivation [only]**." In other words, where the legislator wished to exclude "repeated cultivation

only” from the bounds of protection, he did so expressly. Indeed, we can presume that the legislator, in his inclusion in sec. 36A of the clause: “unless the utilization **involves...** repeated propagation,” has intended **to expand and to include in the involvement** the array of acts that would be deemed prohibited utilization of the variety that is sold, or otherwise marketed, in Israel by the holder of the right or with his consent. In so doing, the legislator made explicit his position (following the provisions of the Convention) whereby not only is repeated propagation *per se* prohibited, but also all utilization of the variety that is **involved** in repeated propagation, i.e. **connected with it or derives from it**.

33. It should be stressed that in accordance with the proposed interpretation, not “all contact with the registered varieties,” such as sniffing the flowers in the shop, will be considered an infringement on the breeders’ right – as the respondents are trying to argue, even if only as a figure of speech (see: para. 30 of the respondents’ summations). Not only is “sniffing the flowers in the shop” not included in the bounds of the term “utilization,” within the meaning of sec. 1 of the Law, but sniffing is not normally “involved” in the repeated propagation of the variety. In any case, in accordance with the ending of sec. 37(2) of the Law, “any act performed privately and not for commercial purposes” is permitted, even without the consent of the holder of the breeders’ right.

At the same time, there appears to be no dispute that repeated propagation **for commercial purposes** and utilization of the products of the repeated propagation for such purposes does fall within the bounds of the reservation to the application of the exhaustion doctrine, as stated in sec. 36A(1) of the Law. The ramifications of the interpretation proposed by the respondents, whereby the consent of the holder of the breeders’ right is not required for the performance of acts with the protected variety other than repeated propagation itself (such as sale, export, and import of the products of the protected variety that resulted from the repeated propagation), and that these acts do not amount to an infringement on the breeders’ rights, are unacceptable.

Indeed, in my opinion, the appellants’ argument to the effect that if the repeated propagation is “contaminated” under the provisions of sec. 36A(1) of the Law, then the “fruits” of the repeated propagation are also “contaminated,” is sound, and a person who utilizes the protected variety in this way should not be allowed to benefit from these fruits. The rationale behind this is simple: a person who purchased the seedling of a protected plant and utilizes it for commercial purposes by means of repeated propagation without the consent of the owner of the breeders’ right, is unlawfully enriched at the expense of the breeder. The breeder priced the seedling and the royalties paid to him for utilization of the

protected variety according to the assumption that the seedling would “live” for one life span. Accordingly, one must say that with the first sale of the seedling in Israel, the holder of the breeders’ right exhausted his right only assuming that the seedling, too, “exhausted” its “life span” at the end of the period in respect of which consideration was received for utilization. “Repeated propagation” or “cloning” of the registered variety are, at times, simple acts, which have a very low marginal cost. This is particularly so when the variety is fertilized by free pollination. In a situation in which “repeated propagation” of the seedling is conducted for commercial purposes, the consideration that was paid for purchase of the seedling no longer reflects the scope of the utilization permit that the holder of the breeders’ right intended to grant the purchaser of the seedling. Hence, the arrangement that supposedly affords protection to the holder of the breeders’ right **solely** for utilization of the variety during the first period of growth of the seedling, undermines the **purpose of the Law**. Therefore, it is clear that in the situation described above, there is no justification to reduce the opportunity given to the breeder to realize his property right to its full extent and force (cf. *Bowman v. Monsanto* [42]).

I shall now proceed to discuss the questions posed in para. 30(c) above, namely: what is the extent of the injunctive relief to which the holder of a breeders’ right is entitled, as a rule, under the circumstances of sec. 36A(1) of the Law?

Injunctive Relief to which the Holder of a Breeders’ Right is Entitled to and its Scope under the Circumstances of sec. 36A(1) of the Law:

34. The breeders’ right is, as we have said, one of the intellectual property rights that is recognized by law (similar to the rights recognized by patent law, copyright law, trademark law, and designs law). These rights are rights *in rem*, which apply to defined utilizations of intellectual property for a limited period. They grant their holders, as stated, a monopolistic right to enjoy the said intellectual property, to make use of it, and to permit various uses of it for a limited period. Accordingly, as a rule, every potential user must obtain a license from the holder of the rights in order to utilize the product that is the object of the intellectual property (except for permitted uses), and the holder of the right can, as a rule, prevent use that is made of his right – without a license – by means of an injunction (see: Elkin-Koren, at pp. 487-488, note 4).

The entitlement of the holder of the registered breeders’ right to receive relief by way of an injunction that will prevent another from utilizing the variety that he bred without his permission, or unlawfully, clearly reflects that nature of the breeders’ right as a proprietary right, for one of the basic components of a property right is its power of prevention

and the legal ability to exclude others from using the object that bears the right (see and cf.: Hanoch Dagan, “The Right to the Fruits of the Infringement: Autonomy of Judicial Law-Making” (Heb.) 20 *Iyunei Mishpat* (1997) 601, 636.)

Injunctive relief is therefore – as a rule – the primary relief that is afforded by the Breeders’ Rights Law to the holder of the right, for infringement on a registered breeders’ right. This emerges from integrating the provisions of secs. 36(b) and 65(a) of the Law (cf. sec. 62 of the Law, which provides that “An action for infringement shall not be filed before the breeders’ right has been registered...”).

This is also evident from a combined reading of art. 30 of the Convention – to which Israel is a signatory – whereby: “each contracting party shall adopt all measures necessary for the implementation of this Convention... [including] appropriate legal remedies for the effective enforcement of breeders’ rights,” together with the Explanatory Notes on the Enforcement of Breeders’ Rights Under the UPOV Convention, which contain (in art. (a) of the Second Chapter) an “open list” of the legal means which the states signatories to the Convention must ensure are in place for the purpose of civil proceedings in actions for infringement on registered breeders’ rights, primarily –

(1) provisional measures, pending the outcome of a civil action, **to prevent or stop an infringement** of the breeder’s right, and/or to preserve evidence (...);

(2) measures to allow a civil **action to prohibit the committing, or continuation** of the committing, of an infringement of the breeder’s right;

(3) ...

(Emphases added – H.M.)

Thus, injunctive relief is the “first and foremost” relief to which the holder of the breeders’ right is entitled when there has been an infringement on his property right. This approach is obvious in light of the provisions in the Law and the Convention. It is consistent with the position taken by this Court as expressed in case law in relation to the role of an injunction in cases of infringement on other abstract intellectual property rights, such as a patent, in view of the status and the force of property rights in our law. See, for example, this Court’s decision in LCA 6141/02 *ACUM v. Galei Zahal* [11] (per Justice D. Dorner):

A creator has a property right in his creation, and this right, which is entrenched in sec. 3 of Basic Law: Human Dignity and Liberty, is, as is known, a basic right in our law. It is in the nature of this right, subject to the reservations in the law and to agreements to which the holder of the right is party, that it grants its holder the ability to do with his property as he pleases, and this includes making it available for use by another under the conditions that the holder of the right determines, or to deny such use if it is made contrary to the wishes of the holder of the right. A person's argument that he is permitted to use another person's property without his permission, merely because the latter demands a price that seems exorbitant to the former, has no merit.

From here we derive that the **first and foremost relief for infringement on copyright is to allow the holder of the right to prevent such infringement, by way of a petition for an injunction. This relief is immediate, and it should be granted as soon as the creator is able to prove that his right has been infringed upon.** Monetary compensation is not an alternative to injunctive relief, and in the absence of consent on the part of the holder of the right, it cannot replace such relief. On the contrary, compensation for the harm caused by the infringement will usually be complementary to the injunctive relief. (Emphasis added – H.M.).

The Breeders' Rights Law is of the same ilk as the Patents Law and the Copyright Law, and as such there would seem to be no difficulty in applying the above words, *mutatis mutandis*, to this Law as well.

36. From what has been said we learn that in accordance with the provisions of the Law discussed above, the holder of a breeders' right whose right has been infringed upon by way of utilization involving repeated propagation of the variety for commercial purposes, without his consent, is entitled, as a rule, to relief by way of an order that will prevent the infringer from continuing to utilize the protected variety (within the meaning of secs. 36(b) and 1 of the Law), even if the item of the protected

variety was initially sold, or otherwise marketed in Israel, by him, or with his consent.

37. The Law grants the primary right to perform the act of repeated propagation to the holder of the breeders' right. A person other than the breeder is, as a rule, prohibited from utilizing the protected variety by way of repeated propagation without receiving the permission of the breeder to do so (unless it was done within the bounds of the permitted utilizations in sec. 37 of the Law). The interest that the Breeders' Rights Law seeks to protect is the breeder's interest – to allow him to reap the fruit of his toil and to prevent a situation in which “one person sows and another – with no toil on his part – reaps.” The breeder has a legitimate expectation of receiving recompense for “repeated utilization” of the variety that he bred, when this is done by others for commercial purposes. Repeated utilization of the protected variety by others, and certainly for commercial purposes – without the permission of the breeder – by way of repeated propagation, and deriving a benefit from the “fruits” (or flowers) of the repeated propagation, is equivalent to trespassing on the property right granted to the breeder. This “trespass,” which compromises the property of the breeder as well as the public interest in encouraging investment in the breeding of new plant varieties, can justify “distancing” the utilizer (without permission, or unlawfully) from the variety that has been bred (on the approach whereby the infringement on a patent is fundamentally a tortious act in the category of trespass, see, e.g., CA 1636/98 *Rav Bariah v. Habshush* [12], at 349). On this matter, the Talmud states (*Bava Batra* 21b): “[Other fisherman] must distance [their] fishing nets from the fish as far as the fish swims.” Rashi explains: “...because [the fisherman] was familiar with the lair [of the fish] and laid bait as far as the fish swims, he is sure that he will catch the fish, and that the profit is his, and the other person comes and harms him...”. In other words, because the profit from catching the fish is due to the fisherman who spread his net in the place and laid the bait, this profit is considered to be already in his possession to a certain extent – another person should not be allowed to enter that same territory and detract from the profit that the first fisherman is expecting to make, even if he was not out of pocket, for: “why should that other traffick [sic] with his fellow's cow?!” (*Mishnah Bava Metziah* 3:2). (For a discussion and elaboration of the various aspects of the above talmudic passage, see the opinion of my colleague, Justice E. Rubinstein, in CA 9191/03 *V&S Vin Sprit Aktiebolag v. Absolute Shoes Ltd.* [13], at 889, and Joshua Liberman, *Commercial Competition in the Halakhah* (1989) pp. 84 note 8, 109-110).

At the same time, since sec. 36A of the Law, which deals with “exhaustion of the breeders' right,” is concerned with the non-

applicability of the breeders' right, the holder of a breeders' right whose right was infringed on in the circumstances of sec. 36A(1) (or in the circumstances of sec. 36A(2)) cannot prevent a person who purchased the protected variety lawfully, in Israel, from utilizing it in a manner that **does not** involve conducting the prohibited acts defined in these subsections. This is due to the scope of the relief to which the holder of the right is entitled, which is derived from the scope of the right vested in him. Since sec. 36A of the Law defines the bounds of the breeders' right in a case in which the protected variety was sold or marketed by the breeder or with his consent in Israel, and allows the holder of the right to realize his right only in relation to utilization **that involves** the prohibited acts enumerated in subsecs. (1) and (2) of the section, then clearly the scope of the relief to which the holder of the right is entitled in these circumstances is also subject to the boundaries set in the section. **The relief, therefore, is of the same scope as the right**, and no greater.

This conclusion is consistent with the approach taken in the laws of intellectual property – including the Breeders' Rights Law – which grant the owner of the intellectual property a monopoly with respect to his property in the market of the creation, invention, or bred variety, which means that he has the power to prevent others from using, without his permission or unlawfully, the intellectual property that belongs to him; its intention was not, however, to assure the owner a monopolistic position in any market for commodities (see and cf.: David Gilo, “Contracts Restraining Competition and Contracts of a Monopolist”, in Daniel Friedmann and Nili Cohen (eds.), *Contracts* Vol. 3 (Heb.) (2003) 635, 675). Issuing a sweeping injunction that applies to **all** utilization, in any manner whatsoever, of the registered variety that was bred by the holder of the breeders' right, in the case of an infringement of secs. 36A(1) and (2), when this extends beyond the circumstances and the outcomes of the infringement, means granting a monopoly to the breeder in the market for that product. A “monopoly” of this type **oversteps** the bounds of the right that remained in the hands of the breeder after its exhaustion following a sale of the item of the protected variety in question, and oversteps the monopoly granted to the breeder in the Law, taking into account that the items of the variety are sold by him, or with his consent, in Israel (see and cf. also: Elkin-Koren, at pp. 487-488, 498). Therefore, the holder of the breeders' right whose right has been infringed upon by way of utilization involving repeated propagation of the variety is not entitled to receive, by virtue of the Law, an injunction that would prevent a person from maintaining, in his fields and under his control, plants (and their derivatives) of the protected variety which were purchased lawfully by him, and which **were not** “created” by way of repeated propagation and/or

in relation to which **no** acts were done involving repeated propagation; neither is he entitled to prevent the sale of these, nor their marketing by other means. The holder of the breeders' right is certainly not entitled, by virtue of the Breeders' Rights Law, to relief that will prevent utilization involving repeated propagation (within the broad meaning of this term, as explained above) of varieties **that are not registered**, for the Law does not extend its protection to them.

Taking into account all the above, the answer to the question posed in para. 30(c) above adopts a solution in the middle ground. Injunctive relief in the circumstances of the application of sec. 36A(1) will not, on the one hand, cover only the act of repeated propagation itself (as the respondents contend), and on the other hand, it will not apply to the utilization of the variety that is in no way connected to the repeated propagation of other seedlings of the variety (as contended by the appellants). **An injunction that is issued in the circumstances of sec. 36A(1) of the Law is capable of preventing only such utilization, for commercial purposes, that “involves the repeated propagation of the variety.”** That, and any other interpretation would upset the balance that the legislator established in the Breeders' Rights Law between the various interests being weighed.

38. As a side note, and without making any ironclad determination, I will say that there are different views on the question of whether it is possible to grant the holder of the breeders' right injunctive relief for an alleged infringement of a breeders' right in non-protected varieties (i.e., when the breeders' right in the varieties was not registered), or other than by virtue of the Breeders' Rights Law (for example, by virtue of the Unjust Enrichment Law, 5739-1979). See, for example, per Judge Y. Zefet in OM 2949/98 *Sayag v. Council for the Production and Marketing of Ornamental Plants* [41]: “The argument that the breeder has no right in the variety that he bred is incorrect. The breeding of the variety confers upon the breeder the right that others will not become unjustly enriched at his expense, utilizing the physical and emotional toil and the means that were invested by him in the breeding of the variety... even without registration, is the right of the breeder to prevent harm to his property by way of utilization of propagating materials of the variety that was bred or their reproduction”; cf. the ruling in CA 2287/00 *Shoham Machinery Ltd. v. Herer* [14], where a permanent injunction was granted for the violation of an unregistered design, by virtue of the laws of unjust enrichment and the rules of fair competition, and see Brosh, at pp. 245-246. Yet, one cannot ignore the fact that the Breeders' Rights Law contains an explicit provision, which states that “an action for infringement shall not be filed before the breeders' right has been registered...” (sec. 62 of the Breeders' Rights Law). This being the case, and as we said, without ruling

definitively, it would appear that there is a difficulty in invoking remedies from unjust enrichment laws for the purpose of providing protection to a breeder whose right in the variety is not registered (cf. *Merck & Co. Inc. v. Teva Pharmaceuticals* [4]; Brosh, at pp. 385-386). Let us be clear: the above does not take a stand on the various general opinions expressed in LCA 5768/94 *AShIR Imports and Distribution v. Forum Accessories and Consumer Goods Ltd.* [15] on a similar matter and their possible applicability to our case. Moreover, since the action which is the subject of this appeal concerns protected varieties under the Breeders' Rights Law only, we are not required to resolve this difficult question and it can await the appropriate moment.

I shall now proceed to discuss the other questions raised in paras. 30(b) and (d) above, relating to the concrete circumstances of the matter under discussion before us.

From the General to the Specific

39. The appellants are Dutch corporations. The Netherlands is a member of the UPOV (and in fact was the first state of the developed states that legislated, in 1941, a law for the protection of breeders' rights, to be followed by most European states). The appellants registered their rights in some of the gerbera plant varieties that had been bred by them in the Breeders' Registry in Israel. Therefore, they are entitled to the rights granted to the holder of a registered breeders' right under the Breeders' Rights Law, in relation to those varieties in which their rights were registered.

The appellants market in Israel, through their agents and distributors, seedlings of protected varieties (as well as of unprotected varieties) that they bred. It should be mentioned that neither in this Court nor in the District Court did the parties raise the question of whether, in view of the provisions governing the effective date in the 1996 Amendment, sec. 36A of the Law applies to plant varieties bred by the appellants for which breeders' rights had been registered prior to the effective date set in the Law. Both parties relied on sec. 36A of the Law, and argued – each according to its own approach – in its light. I will therefore assume, for the purposes of the present hearing, that the parties are not in disagreement as to the effective date of the provisions of sec. 36A of the Law in the circumstances of this case.

Did the Respondent Utilize the Registered Varieties in a Manner that Involves Repeated Propagation of the Variety?

40. The answer to this question is, to my understanding, in the affirmative. According to the respondent's admission, in 1999 he purchased (from an authorized agent of the appellants) 20,000 seedlings of

registered and non-registered varieties in which the appellants hold the breeders' rights, and ever since he has been propagating them by way of repeated propagation "until today" (see: Protocol 9.6.2005, p. 12, lines 30-31, and also: p. 13, lines 4-5; and see paras. 22 and 36 of the statement of defense; secs. 20 and 22 of respondent no. 1's principal deposition; sec. 18 of respondents' summations in the District Court). This **admission** of the respondent also expressed in the District Court's complementary decision dated 25.10.2007 (see para. 4 of that decision). As is well known, "the admission of a litigant is like a thousand witnesses" (*Bava Metzia* 3b), and it is sufficient for the purpose of determining that the respondent utilized (for commercial purposes) registered varieties in which the appellants hold the rights, in a manner that involves repeated propagation of the variety ("repeated propagation" of a variety is definitely included in the expression "utilization that involves repeated propagation"); does not fall within the "exhaustion of the rights" of the appellants following the sale of items of the variety in Israel, and it amounts to an infringement on their breeders' rights.

Alongside the above admission of the respondent whereby, since 1999 and "until today" (the date when he testified in court – June 2005), he has from time to time propagated seedlings independently, there is additional evidence in our case which not only attests to the utilization *per se* of the protected varieties by way of repeated propagation, but also provides an indication (even if neither precise nor unequivocal) of the **scope** of the utilization in this manner (although within an action for an injunction – as opposed to an action for compensation – this information is only of secondary value). I am referring to the self-reports submitted by the respondent, which refer – according to him – to "utilization by way of propagation only" (see sec. 36 of the statement of defense), and to the results of the count that was conducted in the respondent's fields after the action was brought. Let us be precise: in my view, there was nothing to preventing us from relying on the findings of this count in order to rule on the action, and there is nothing preventing us from relying on ruling on this appeal.

The count was conducted, as we have said, following the consent of the respondents, which was given as part of the proceeding to set aside the judgment given against them *ex parte*. Naturally, there is no mention of this in the statement of claim; however, that is not sufficient to lead to the conclusion that from a substantive point of view, it is not part of the issues in dispute between the parties and thus, should not be relied on (as determined by the District Court). In the statement of claim, the appellants argued explicitly that the respondents refused to allow the appellants' representative to conduct a count in their fields in order to determine the

accuracy of the self-reports they submitted. The subsequent consent of the respondents to the count may possibly constitute a change of circumstances, but it most definitely is not a “change of the scope of the claim.” The forms recording the count were submitted to the District Court by the “counter,” who also submitted an affidavit and was examined on it. Both parties referred to the results of the count and its significance in their depositions, in their testimony in the District Court, and in their written summations. Under these circumstances, it cannot be said that there was any perversion of justice in relation to the respondents (who agreed, as stated, to the count being conducted) which would justify discounting the findings of the count due to a “change of the scope” (see and cf. LCA 9123/05 *Admov Projects (89) Ltd. v. City State of the Alfo Group Ltd.* [16], paras. 10-18).

It is reflected from the above that the respondent utilized unlawfully, by way of repeated propagation for commercial purposes, varieties in which the appellants hold the registered breeders’ right, and such utilization constitutes an infringement that entitles the holder of the right to injunctive relief. However, the respondent claimed that utilization of the varieties in this manner, too, was done with the permission of the appellants and their consent, and was therefore permissible. I shall now discuss this claim.

Was the Utilization of the Registered Varieties by way of Repeated Propagation Done with the Permission of the Appellants?

41. According to the Law, utilization of a registered variety, similar to the “utilization” of other goods that carry abstract intellectual property rights, requires that permission be obtained from the holder of the breeders’ right (except in cases that amount to “permitted utilization” within the meaning of sec. 37 of the Law – which does not include our case). However, the Breeders’ Rights Law does not specify how the permission should be given. Consequently, various modes of granting permission have developed. The common mode is by means of granting a license by the holder of the breeders’ right or his representative. This license may assume the form of a written agreement, formulated jointly by the parties; this, as a rule, is the preferred form; or it may have the characteristics of a “standard contract” which is formulated by the holder of the breeders’ right or his representative and “attached” to the tax receipt for purchase of the varieties (similar to some software user licenses, for example). In the absence of any contrary provision in the Law, there is nothing, in my view, to prevent permission for utilization of a registered variety being given orally (even though this may give rise to disputes and evidentiary difficulties, and is therefore not recommended). Without establishing hard-and-fast rules, I personally believe that in suitable

circumstances, permission can be deduced from the conduct of the parties. In view of the proprietary nature of the breeders' right, the person who wishes to utilize the protected variety ought to be the one who is responsible for obtaining permission to do so from the holder of the rights, in advance and in writing, but I do not rule out the possibility that in certain circumstances, such permission may be given retroactively and in a less formal manner.

In the absence of any mention of this matter in the Breeders' Rights Law, the validity of the said licenses (in their various possible forms) will be determined by the general laws applying to transactions of this sort (such as general contract law, laws governing standard contracts, consumer protection laws, antitrust laws), within which the breeder is entitled, in principle (and subject to the limitations of the general laws), to attach conditions to utilization of the variety that was bred by him (even if it is not registered) that are not necessarily within the ambit of the property right vested in him by virtue of the Law. Without ruling definitively on the matter, I will note that conditions of this type are likely to include, *inter alia*, the imposition of a duty to report utilization of the bred varieties (both registered and non-registered); a compulsory undertaking to pay royalties (including for the utilization of varieties that are not protected by the Law); and an (obligatory) undertaking to allow the breeder, or his representative, to establish for himself the scope of utilization by the grower – subject to these obligations being valid under the general law and taking into account that in attaching conditions of this type, the breeder may expose himself to claims under the Restrictive Trade Practices Law, for constraints such as these may sometimes be beyond the protection afforded to the breeder in the Breeders' Rights Law (cf. Elkin-Koren, at p. 498). Violation of an obligation of the said type may therefore provide the breeder with a corresponding right to receive various forms of relief **that are not** granted to him under the Breeders' Rights Law (see, e.g., CF (Magistrates Court Netanya) 3038/02 *Michael v. Aviv Floral Packing House Ltd.* [43]; *Sayag v. Council for Ornamental Plants* [39]). However, because the action that is the object of this appeal is concerned with the **utilization of protected varieties**, and because the sole relief that was initially sought was an injunction pursuant to sec. 65 of the Breeders' Rights Law with respect to **protected varieties**, there is no need to delve into all the aspects and considerations related to these questions, and they can await further discussion at an appropriate time.

42. Against the above background, it seems to me that the District Court was not sufficiently precise regarding the appellants' arguments when it ruled as follows:

The plaintiffs' cause of action was that their rights had been infringed upon in that the defendants' self-reports were inaccurate (see sec. 15 of the statement of claim). The burden was on the plaintiff's to prove this claim. In order to do so, the plaintiff had to prove that the self-report of the defendant in relation to the self-propagation is not a truthful report. For the purpose of this proof, a count ought to have been conducted in the defendants' fields, and the results obtained should have been compared to the defendant's self-report (para. 4 of the complementary decision).

The action brought to the District Court was, as stated, an action pursuant to the Law. Even if the respondent's (incorrect, according to the appellants) self-reports formed the backdrop to the action, the cause of action was **not** the breach of the respondents' obligation **to report** on the utilization, or **to pay** royalties in respect thereof, but **rather** their utilization of the registered varieties, for commercial purposes, in a manner involving repeated propagation of the varieties, without their permission.

To be precise: just as the grower does not have a duty – by virtue of the Law – to report on utilization involving repeated propagation of the variety that was lawfully (or in any manner) purchased by him, neither does the Law impose upon him a duty to pay royalties to the holder of the breeders' right in respect of utilization of the variety that was bred by him. The Law does, indeed, refer to the matter of royalties in sec. 65(4), which states that in awarding compensation, the court may take into account, *inter alia*, “reasonable royalties, which the infringer would have had to pay, had he been given a license to utilize the breeders' right to the extent of the infringement,” and in sec. 49(a), which authorizes the Breeders' Rights Committee, within its meaning in the Law, to determine (in the absence of an agreement between the parties) whether an employee who has bred a variety in consequence of his service is entitled to consideration (to what extent and under what conditions); however, the Law contains no general duty to report and to pay royalties to the holder of the breeders' right with respect to utilization of the registered variety.

A different statutory arrangement can be found, for example, in the Danish law, which permits utilization of protected varieties “...only on the terms and conditions, including payment of an appropriate royalty, specified by the holder”; and see also sec. 9 of the English Plant Varieties Act 1997, which obligates a farmer who wishes to utilize, for self-

consumption, “harvested material” that he derived from repeated propagation of a protected variety, to pay royalties for the utilization. The section is formulated as follows:

“Farm saved seed”

- (1) Subject to subsection (2) below, plant breeders’ rights shall not extend to the use by a farmer for propagating purposes in the field, on his own holding, of the product of the harvest which he has obtained by planting on his own holding propagating material of the protected variety; or a variety which is essentially derived from the protected variety.
- (2) Subsection (1) above only applies if the material is of a variety which is of a species or group specified for the purposes of this subsection by order made by the Ministers.
- (3) If the farmer’s use of material is excepted from plant breeders’ rights by subsection (1) above, **he shall, at the time of the use, become liable to pay the holder of the rights equitable remuneration**, which shall be sensibly lower than the amount charged for the protection of propagating material of the same variety in the same area with the holder’s authority. (Emphasis added – H.M.)

For a review of royalty arrangements similar to those of the Danish law in connection with other intellectual property resources, such as works of art, in French Law and in German law (which was adopted in 2001 in the European Directive too) see: Elkin-Koren, at pp. 525-526; it is noteworthy that a similar arrangement to that of sec. 9 of the English law can be found in sec. 32 of the Israeli Copyright Law, which states, *inter alia*, as follows:

- 32(a) Despite the provisions of section 11, reproduction of a musical work in a sound recording is permitted, provided the following conditions are met, even without the consent of the copyright owner:
 - (1) The musical work had been previously recorded, with the consent of the copyright owner, in a sound recording that was published for commercial purposes (in this section – the former sound recording);

(2) ...

(3) The person who makes the copy has so informed the copyright owner prior to the making of the copy;

(4) The person making the copy has paid equitable royalties as agreed with the owner of the copyright; and in the absence of agreement – as decided by the Court;

(5) The copies are neither used, nor intended for use in commercial advertising.

43. As stated above, we do not find a similar provision in the Breeders' Rights Law. The Breeders' Rights Law contains no arrangement whereby the very act of reporting to the breeder on utilization by way of repeated propagation of items of the registered varieties that were purchased lawfully by the grower, and on the payment of royalties for their utilization, can "repair" the breach and grant the "utilizer" protection or immunity from being sued for infringement on the breeder's right, **where the Law, or the holder of the right, explicitly forbade the grower to utilize the varieties** in the said circumstances. This is especially so when there is a dispute between the parties as to the amount of royalties that are to be paid for utilization of the variety. In this context, I would point out that the respondent's argument that they are entitled to utilize the protected varieties that were bred by the appellants, even without paying in full the royalties that were demanded by the appellants' representative, is also unacceptable. It has already been ruled that: "a person's claim that he is permitted to utilize another person's property without his consent, simply because the latter demands for such utilization a price that seems to the person to be exorbitant – will not be heard" (per Justice D. Dorner, *ACUM v. Galei Zahal* [11]). As a side point, I will mention that I am not required to decide on the question – which may well arise in such circumstances – of whether, in a situation in which the continued utilization of the varieties constitutes an infringement, the infringer is entitled to reimbursement of the royalties that he paid for utilization of the varieties (certain credit is nevertheless due to the respondent for the fact that in August 2004, after the action was brought, he paid the appellants royalties in the amount of NIS 142,000, which the appellants claim does not constitute the full sum due to them for the respondent's utilization), and this question too may be left pending for the moment.

Thus, in the absence of regulation in the Breeders' Rights Law of the subject of reports by growers concerning their utilization by way of

repeated propagation of the products of seedlings of protected varieties purchased lawfully, and of payment of royalties for the utilization of the varieties in this manner, a practice developed in this area of self-reporting, based on trust placed in the growers, alongside the counting of the seedlings in the fields, as described in para. 3 above. The grower's signature on the forms recording the count conducted in his fields is deemed a declaration concerning the accuracy of the report and an undertaking on his part to pay royalties for utilization of the varieties, in accordance with the number of seedlings counted (during the hearing in this Court, it was explained that today, these issues are regulated explicitly in the license agreements between the breeders or their representatives and the growers). An expression of this practice may be found in the case before us in the "**purchase agreement**" for the seedlings ("Terms for the Order of Gerbera Seedlings – Herman Crystal Ltd." – ExA/2): based on section 4 of this agreement, the respondent sought to argue that his utilization of the varieties by way of self-propagation, was done with permission. The following appeared in that document:

4. Seedlings that are the object of the order are intended for **self-cultivation only**; self-propagation is permitted in a vegetative manner only and **for the use of the grower only** in his fields and on his holdings only; sale of the seedlings or their transfer to another, whether before propagation or thereafter, is prohibited;

...

11. Should the grower decide to retain the seedlings that he purchased by virtue of this order **for an additional year of cultivation (but not exceeding two years)** and in the same fields in which he cultivated them in the previous year of cultivation, **he shall inform the Company accordingly... otherwise, these seedlings will be considered to be new seedlings in all respects**;

12. **The grower undertakes to allow representatives of the Company and the holders of the breeders' rights in the varieties to enter, by virtue of advance notice of at least 48 hours, any fields held by him for the purpose of checking the**

seedlings and of ascertaining the fulfillment of his obligations pursuant to this Order and according to the Breeders' Rights Law and any other law;

The Agreement further stipulates, in sec. 7:

7. A grower who does not pay the price of the seedling or the royalty **or who infringes another of his obligations pursuant to this Order shall be prevented from utilizing the seedlings or their flowers in any manner whatsoever** (including by way of their marketing and/or export); **without detracting from the above, the grower hereby agrees that in said case, an injunction prohibiting said utilization be issued against him.**

(Emphases added – H.M.)

We see that while the respondent sought support in the above document for his claim that his repeated propagation of the products of the seedlings from the protected varieties was done with the permission of the breeders (i.e., in accordance with the terms of the license), an examination of the provisions of the **purchase agreement** leads, in my view, to precisely the opposite conclusion. In my opinion, sec. 4 of the agreement indeed allows “self-propagation,” but it does so with an additional proviso – that it be “for the use of the grower only.” Thus, repeated propagation of the variety by the grower for commercial purposes and utilization of its products by way of marketing, sale, export, and import is impermissible without a license and in accordance with its terms. It seems to me that the respondent had good reason for raising his argument in this context in the District Court only half-heartedly, and later (in his cross-examination) even trying to distance himself from the purchase agreement, claiming that he had not seen it, and denying that he was aware of its provisions (see: Protocol p. 11, lines 9-17).

I should mention that my concern here is not with the interpretation of the purchase agreement, nor with the question (that may be asked) of whether the practice that was adopted in this area amounts to a binding “custom” (for extensive discussion in a related context, see: CF (Merkaz-Lod) 1549-08-07 *Maariv Modi'in Publishing Ltd. v. Businessnet Ltd.* [42] and the references there); what I said above on the matter is, in a certain sense, above what is required, for the appellants made it clear that their action is pursuant to the Breeders' Rights Law and not to the purchase agreement. As such, no great importance should be attached to the

question of whether or not the respondent in fact infringed his obligations under the said agreement (although it does seem that such an infringement occurred). It was not the question of the accuracy of the self-reports submitted by the respondent that was the basis for the action that is the object of this appeal, nor even the question of whether the respondent refused to allow the count to be conducted in the fields he controlled, as the appellants claim, or whether the blame for the count not being conducted lies with the appellants, as the respondent claims. As a side note, I will point out that in my view, the respondent's attachment of a condition to the conduct of a count on his holdings is equivalent to a refusal that amounts to a breach of his obligation under the terms of purchase of the seedlings, or according to the practice at the time – and as such, it was sufficient in order to create in the respondent, at least, an “awareness of obligation” in relation to the possible outcomes of his conduct.

At the same time, in view of the findings of the District Court, it should be explained that from the moment that the respondent himself attempted to rely on a solitary (and partial) section of the agreement, there was no longer, in general, anything to prevent the appellants from **rebutting** his argument, in his cross-examination, based on the contents of the purchase agreement in its entirety. Neither were the appellants estopped from relying in their summations upon the terms of the said agreement that are not “helpful” to the respondent – to put it mildly – without this being considered as “broadening the scope of the claim” (see in this context *Admov Projects (89) Ltd. v. City State of the Alfo Group Ltd.* [16], and see Joel Sussman, *Civil Procedure* (7th ed., 1995) 139, 155), and cf. CA 11900/05 *Alumot Holon Ltd. v. Lehem Hai Ltd.* [17]). It is also noteworthy in this context that even if the appellants are not a direct party to the purchase agreement (which is, in fact, a secondary license for the utilization of the plants), it was signed with an “agent” of the appellants (or of any one of them) within the meaning of Agency Law, 5725-1965, and its provisions were designed to protect, *inter alia*, the breeders as holders of the breeders' right in the varieties (see, e.g., sec. 12 of the agreement). We therefore seem to be talking about a “contract in favor of a third party,” which is subject to sec. 34 of the Contracts (General Part) Law, 5733-1973, whereby: “an obligation assumed by a person in a contract in favor of a person who is not a party to the contract (hereinafter: beneficiary) confers upon the beneficiary the right to demand fulfillment of the obligation, if the intention to confer that right on him is apparent from the contract.”

Let us now return to the question posed above, in the title of this section.

44. The argument presented by the respondent, that he was permitted (by virtue of the purchase agreement) to utilize the seedlings (for commercial purposes) by way of repeated propagation, (an argument that was presented, as we have said, without support, and was refuted by the document itself), the appellants presented a letter that they had sent (through the Council) to the respondents, dated 20.2.2000, in which they notified the respondents that they –

[D]o not permit... utilization of their gerbera varieties, and they will not renew any agreement or license, if such existed... and this includes, *inter alia*: cultivation, propagation, sale, offer for sale of their varieties... (Emphasis added – H.M.)

In this notification, the appellants clearly state their position that they did not grant their agreement or permission in utilizing the varieties by the respondent. It is true that this letter (that was sent on behalf of the appellants) cannot necessarily be considered proof of utilization of the varieties without permission in the period prior to it being sent; however, it most certainly does attest to the absence of permission on the part of the appellants for utilization of the varieties by the respondent from the time that it was sent to the respondents and thereafter. The respondent admitted that he had indeed received the above letter from the Council (section 34 of the principal deposition); that being the case, he is estopped from arguing that he was not aware that the appellants were prohibiting him from utilizing, at least, the protected varieties in which they were the holders of the rights.

45. Even though in fact, I am not required to deal with the question of when and under what conditions (if at all) a holder of a breeders' right in a registered variety is permitted to revoke, or not renew, a license he gave, I will – to remove any doubt – make a few comments on this matter:

(a) Since the breeder has a property right in a registered variety that he bred, and this right has a constitutional status in our legal system in light of sec. 3 of Basic Law: Human Dignity and Liberty, it is in the nature of this right, subject to the reservations in the Law (e.g., the compulsory license – see: secs. 40-41 of the Law, and cf. sec. 117 of the Patents Law) and the agreements to which the holder of the right is a party, to confer upon its holder, in general, the ability to do with his property as he sees fit, and this includes making it available for the use of another under the conditions set by the holder of the right, **or to deny such use, if it is made against the wishes of the holder of the right** (see and cf.: per Justice D. Dorner in *ACUM v. Galei Zahal* [11]).

(b) The clear expression of a property right, according to the classic approach, is that the owner of the right is entitled to act vis-à-vis his property with “owner’s arbitrariness.” This concept is reflected in the words of Justice M. Cheshin in LCA 112/93 *Tzudler v. Yosef* [18]:

...A property right expresses, as a matter of principle, the right of a person to do, or not to do, as he pleases with his property; all, of course, subject to the reservations set by the binding law... The classic property right rejects, on principle, the element of reasonableness: the classic property right expresses arbitrariness of ownership, and reasonableness is the enemy of arbitrariness....

However, the “owner’s arbitrariness” which the individual can exercise in the area of private law is no longer, in our times, the same “arbitrariness” as it was in the past (see and cf. regarding public law: HC 1993/03 *Movement for Quality Government in Israel v. Prime Minister* [19], at 899). Today, there would seem to be no dispute that the holder of a property – including intellectual property –is subject to the principle of good faith in exercising his right, a principle that extends to all areas of law and applies within the bounds of every law (see: per (then) Justice A. Barak in LCA 6339/97 *Rocker v. Salomon* [20], at 299; and see Miguel Deutch, *Property*, Vol. 1, 321 (2003) (Hebrew)). Indeed, in *ACUM v. Galei Zahal* [11], Justice Dorner discussed the fact that the exercise of copyright, too, is subject to the principle of good faith. Justice Dorner stated:

However, it is clear that the owner of the copyright has a **duty to use his right in good faith**, and he may not, incidental to this use, harm the works of others, **or the principle of free competition**. Hence, in suitable circumstances, **inappropriate use of copyright may lead to a narrowing of the protection afforded by the law to the owner of the right or even to its negation**. (....) (Emphases added – H.M.)

(c) Consonant with the broad application of the principle of good faith in our legal system, every legal act (including unilateral legal acts) must be done in good faith. This being the case, exercising the power of the holder of a breeders’ right to revoke the license in a protected variety that he bred, as well as use of the power to sue that is granted to him under the Law, must be done in an accepted manner and in good faith (see and cf.: *Rocker*

v. Salomon [20], paras. 3-5 per Justice A. Barak; and also A. Barak, *Agency Law* vol. 1, 105-106 (1996) (Hebrew)).

(d) The varieties of bred plants and the intellectual ownership of them are not a natural phenomenon but rather the result of human thought, development and breeding (cf.: per M. Cheshin in *AShIR Imports and Distribution v. Forum Accessories and Consumer Goods Ltd.* [15], at p. 340). The property right that is granted to the holder of a breeders' right in registered plant varieties was designed, *inter alia*, to give expression to the personality of the breeder. The bred variety bears not only the DNA of the organisms from which it was created, but also the "genes" of the breeder. The bred variety is in the image of the breeder and also carries with it, as it were, the breeder's "personality." Beyond the economic interest, the holder of the breeders' right has, therefore, a "personal" interest too in the variety that he has bred. The law is particularly interested in protecting such interests. However, the "principle of good faith" states that preservation of the person's own interest must be fair and take into consideration the justified expectations and warranted reliances of the other party. In this context, therefore, one must take into account, *inter alia*, that "The scope of good faith is determined on the basis of the nature of the relations between the owner of the property and the 'other.' Harm done by a person with whom there is a one-time interaction (such as a casual trespasser) is not the same as harm done by a person with whom there is a continuous relationship..." (cf.: *Rocker v. Salomon* [20], paras. 7-8, per President A. Barak).

(e) In the present case, the respondent is indeed not someone who had no previous interactions with the breeder, and decided to utilize the protected variety without the breeder's permission. For years, commercial ties had existed between the appellants-breeders and the respondent-grower, and both parties profited (as mentioned, until 1999 royalties were paid to the appellants from the export earnings of the flowers cultivated by the respondent and marketed by the Council – this is beyond dispute). It is reasonable to assume that the respondent relied on what had been the parties' practice over the years, developed his business, and invested resources on the basis of the expectation that he will be permitted to continue to cultivate and sell the appellants' varieties (which were marketed by them, or with their consent, in Israel). The trouble is that this expectation is legitimate as long as the acts of the grower were performed within the boundaries of the permission given to him and within the boundaries of the law, i.e., as long as his acts involved no utilization without permission, or unlawfully, of the protected variety, nor any infringement of the terms of the agreement or the license to use the variety, and as long as necessary cooperation existed between the breeder

and the grower to maintain their symbiotic relationship. Once a reasonable doubt arose that the respondent was exploiting (in both senses) the license he had been given, contrary to its terms and contrary to the law, and when cooperation between the parties ceased (and here, it makes no difference, in my view, who was “to blame”), and the breeders lost their faith in the grower, once again, in my view, there is nothing in the principle of good faith to negate the ability of the breeder to notify the grower that he will not renew the license, or permit, if such existed, for reasons of “consideration of justified expectations and due reliance of the other party.” In such circumstances, the expectations of the grower are no longer justified and the alleged reliance is unwarranted.

(f) The situation described here is similar in certain ways (*mutatis mutandis*, of course) to the agreement between a manufacturer, or supplier, and a marketer – in the broad sense of these terms. Regarding relationships of this type it has been ruled that the need for mutual trust requires honoring the will of the “manufacturer” in terminating the relationship, even when the contract has not set a termination date (subject to notice being given a reasonable time before the date of termination), for it is impossible to secure a relationship of trust by force (see, e.g., CA 2850/99 *Ben Hamu v. Tenne Noga Ltd.* [21], at 858-860; CA 442/85 *Zohar v. Travenol Laboratories* [22], at 681-682; *Leibowitz v. A. et Eliahu Ltd.* [9], at 324; CA 9046/96 *Ben Barukh v. Tnuva* [23], at 632-633). What was ruled in relation to the right of distribution (which is, in principle, a contractual right) applies to a registered breeders’ right (which is a proprietary right) with even greater force, *a fortiori*, and particularly in relation to the case at hand, in which it was not even argued that a direct agreement had been made between the parties allowing the respondent to utilize, with no limit, the protected varieties (and note: from the material submitted to us it emerges that the period of the license for cultivating the varieties was restricted to one more year of cultivation beyond the first year, but in any case “not more than two years” – see section 11 of the terms of purchase of the seedlings (PE/2)).

At the same time, just as the grower expected to continue utilizing the protected varieties subject to legal constraints, so too is the breeder entitled to forbid the grower to continue utilizing the varieties in which he is holder of the registered breeders’ right, all subject to the parameters of the right granted to him by law, and in our case, within the bounds set in sec. 36A of the Law (see: para. 37 above) but no further.

46. The question that must be answered in these circumstances is: did the respondent continue to utilize the protected varieties (for commercial purposes) in a manner that involves repeated propagation of the variety, even after notification from the appellants? So doing would certainly

amount to an “infringement” that entitles the appellants to relief under the Breeders’ Rights Law. From the material submitted to this Court it is apparent that this question must be answered in the affirmative.

This emerges first and foremost from the admission of the respondent himself. When the respondent was asked under cross-examination (on 9.6.2005): “what do you do since ’99, from where do you get the seedlings for the production of gerbera?”; he responded: “what I purchased during those years **I propagate until today with those varieties**” (Protocol p. 12, line 32). In other words, on his own admission, the respondent continued to utilize the protected varieties by way of repeated propagation, even after the appellants notified him, at the beginning of the year 2000, that they forbid him to utilize the protected varieties in any manner whatsoever.

Moreover, this is also evident from the “self-report” that the respondent submitted in relation to the 2000/2001 growing season, which relates to his method for “cultivation by way of propagation only.”

Furthermore, from another perspective. In my view, just as it is possible to deduce the element of “reproduction” in copyright law when the defendant had access to the plaintiff’s work, and when there is such a degree of similarity between the works that it is unreasonable to assume that it is a matter of coincidence only (see, e.g., CA 10242/08 *Muzafi v. Kabali* [24]), it is also possible, as I see it, to deduce the existence of repeated propagation of a variety when the defendant had access to the variety and when no reasonable explanation is offered for the gap between the number of “derived” seedlings that were found to be in his possession (and in our case, in his fields) and the number of seedlings that were purchased lawfully by him, according to his own report.

In the present matter, the respondent could not adequately explain the gap between the number of seedlings that he purchased, in 1999 (approx. 20,000 seedlings of registered and non-registered varieties), and the enormous number of seedlings of the protected varieties (approx. 180,000) that were found in the fields under his control in the count conducted in 2002. It should be pointed out that despite the fact that the count included both registered and non-registered varieties, it is relatively simple to extract the data concerning the number of seedlings of the protected varieties which were found in the respondent’s fields at the time of the count, by means of the registration in the Breeders’ Rights Registry (that was attached to the statement of claim). The findings of the said count constitute sufficient evidence that in the 1999/2000 and 2000/2001 growing seasons, the respondent utilized products that were derived from the seedlings of the protected varieties in a manner that involved repeated propagation of the variety, without the appellants’ permission (even

though this does not prove, unequivocally, the **extent** of the utilization). In this context it will be mentioned that there was no dispute that it is usually possible to derive products from an original seedling of the protected variety for a period of two years.

And note: whereas the burden of persuasion to prove the claim (to the extent required in civil procedure, i.e., balance of probabilities) lies with the appellants, the burden of producing the evidence is dynamic, and may shift from one litigant to another in the course of the judicial proceedings (see, in this regard, the words of my colleague, Justice E. Arbel, in CA 78/04 *Hamagen Insurance Co. Ltd. v. Gershon* [25]; CA 6160/99 *Druckman v. Laniado Hospital* [26], at p.124). From the moment that the respondent admitted (in 2005) that since purchasing approximately 20,000 seedlings in 1999, he propagates them by way of **repeated propagation** “until today,” the burden of proving that this propagation is not done with respect to the registered varieties, or if it is, it is done with the permission of the appellants, shifts to the shoulders of the respondent (cf. sec. 62A of the Law which deals with “transfer of burden of proof” in a claim of a holder of a right in a protected variety against the owner of a variety which is claimed to be primarily a derived variety). The respondent has not fulfilled this burden, and has not provided a convincing explanation for the gap between the number of plants that he purchased, as he contends, and the number of seedlings found on his farmlands in the count conducted after the appellants notified him that they forbid him to continue utilizing the protected varieties that they bred.

This is therefore sufficient for the purpose of a determination that the respondent **infringed** on the breeders’ right of the appellants in the registered varieties by way of repeated propagation and all that is involved, irrespective of the question of whether his self-reports were accurate or not, and also separate from the question of whether he paid the full royalties for utilization of the protected varieties.

Interim Summary

47. We see from all the above that in the period relevant to this action, the respondent utilized (within the meaning of this term in the Breeders’ Rights Law), for commercial purposes, products of the seedlings from the protected varieties that were bred by the appellants, without their consent and unlawfully, in a manner that involved repeated propagation. This utilization by the respondent is not covered by the protection of “exhaustion” anchored in sec. 36A of the Law, and it constitutes an infringement on the monopolistic right to utilize the protected varieties granted to the appellants by the provisions of the Breeders’ Rights Law.

From integrating the provisions of secs. 35(b) and 65(a) of the Law it emerges that by virtue of the prerogative granted to the holder of a property right in the protected varieties, the appellants are entitled to prevent the respondent, by means of an order, from utilizing the protected variety for commercial purposes in a manner that involves its repeated propagation. However, the appellants do not have the power to prohibit the respondent from utilizing in any other manner (which does not involve repeated propagation) the items of the varieties that they bred and that were sold or otherwise marketed with their consent in Israel, for such a prohibition does not fall within the bounds of the exercise of the breeders' right; rather, it extends beyond the limits of the monopoly that is granted to the holder of the breeders' right by the Law (cf. Elkin-Koren, at p. 498).

Notwithstanding the above conclusion, the question remains: under the circumstances of the case, is it warranted to restrict the right of the appellants to relief to which they are apparently entitled by virtue of the provisions of the Law (the extent of which is, as aforesaid, more limited than the extent of the relief they requested), or even to negate it, for "public" or other reasons? I shall now discuss this question.

Under the Circumstances of this Case, is the Restriction or Negation of Injunctive Relief Warranted by Considerations of "Equity"

48. The source of the injunction is historically rooted in the English laws of equity, and in the English tradition it constitutes equitable relief which the Court has discretion on whether to grant, in accordance with various considerations, including the impact that granting (or not granting) may have on public and other interests. Such additional considerations which traditionally must be taken into account include: the "balance of convenience" between the parties, the existence of alternatives to the injunction, whether irreparable harm, which cannot be compensated monetarily, will be caused to the plaintiff if the relief is not granted, and the good faith of the party requesting the relief in submitting the petition.

An expression of the adoption of this English tradition can be found in U.S. Law. Thus, for example, in a context related to our matter, sec. 283 of the U.S. Patents Law explicitly subjects the discretion of the court, in deciding whether to grant an injunction in patent cases, to the principles of equity. Section 283 states as follows:

The several courts having jurisdiction of cases under this title may grant injunctions in accordance with the principles of equity to prevent the violation of any right secured by patent on such terms as the court deems reasonable.

In view of this provision, it was ruled in the leading decision rendered by the U.S. Supreme Court in 2006 in the matter of *eBay Inc. v. MercExchange* [45] that granting an injunction in an action for breach of patent **is not automatic**, and in any case a court hearing a case of this type must weigh, *inter alia*, considerations found in the laws of equity. The Court ruled, *inter alia*, as follows:

According to well-established principles of equity, a plaintiff seeking a permanent injunction must satisfy a four-factor test before a court may grant such relief. A plaintiff must demonstrate: (1) that it has suffered an irreparable injury; (2) that remedies available at law, such as monetary damages, are inadequate to compensate for that injury; (3) that considering the balance of hardships between the plaintiff and defendant, a remedy in equity is warranted; and (4) that the public interest would not be disserved by a permanent injunction. (...).

In the above cited case, the U.S. Supreme Court found that the above considerations had not been weighed by the lower courts that had heard the case, and it therefore remanded the case back to the trial court.

49. The Israeli legislator, however, chose to travel a different path. The English tradition, which subjects the discretion of the court to the principles of equity in granting injunctive relief, was adopted here in particular in relation to the exercise of authority in granting temporary injunctive relief (see reg. 362(b) of the Civil Procedure Regulations, 1984); the exercise of general authority in granting relief, insofar as “it sees fit in the circumstances of the matter” (see: sec. 75 of the Courts Law [Consolidated Version], 5744-1984); and the exercise of authority in granting relief by way of orders in tort law. Section 74 of the Civil Wrongs Ordinance [New Version] provides as follows: “The court shall not grant an injunction where it believes the injury or damage caused to the plaintiff is minor and estimable in monetary terms, that the plaintiff can be adequately compensated by such payment, and that the grant of such injunction is oppressive to the defendant, but it may award damages” (see also: Izhak Englard, Aharon Barak and Mishaël Cheshin, *Tort Law – General Theory of Torts* (1977) 595 (Hebrew); Mishaël Cheshin, *Chattels in Tort Law* (1971) 24, 143 (Hebrew)). However, a request for a temporary injunction and the terms for granting an injunction in tort law are one thing, and an action for a permanent injunction for infringement on a property right according to an explicit statutory provision is something entirely different.

In the Patents Law and the Breeders' Rights Law, the Israeli legislator did not impose reservations similar to those described above regarding the authority of the court to grant relief by way of orders in the case of infringement (see: sec. 183(a) of the Patents Law; sec. 65(a) of the Breeders' Rights Law). On the contrary: sec. 36(b) of the Breeders' Rights Law seems to say that "[t]he holder of a breeders' right **may prevent** any other person from utilizing – without his authorization or unlawfully – the variety in respect of which the right is registered...", without this right being subject to any reservations except those set in the Law itself.

Indeed, in accordance with the practice of this Court, in an action based on a proven property right whose holder is found, after the evidence and pleadings have been heard, entitled to the benefit therefrom, normally (subject to those "rare, exceptional" cases, and as long as the action is not trivial), when the exercise of discretion is warranted only for the purpose of tying the hands of the holder of the right when he tries to prevent another from unlawfully infringing on his right – no great weight should be attributed to considerations whose historical source lies in the English laws of equity (see, e.g., CA 5240/92 *Halamish v. Ashraz* [27] IsrSc 47(1) 45, 50); *Rocker v. Salomon* [20]; *ACUM v. Galei Zahal* [11]).

50. Nevertheless, it is noteworthy that in recent years, another trend has also been developing here, which seeks to make an exception to the property right, including intellectual property right, in cases of "arbitrariness" on the part of the holder, or due to "public" considerations. An expression of this may be found in sec. 53 of the Copyright Law, which states: "in an action for copyright infringement the claimant shall be entitled to injunctive relief, **unless the court finds that there are reasons which justify not doing so.**"

The legal literature in sec. 53 of the Copyright Law mentions several types of considerations that may justify withholding injunctive relief:

The **first** type relates to situations in which the intervention of the court is required to resolve a market failure, and when there are high transaction costs that prevent utilization of the works;

The **second** type relates to the promotion of free competition and the constriction of anti-competitive conduct by the holder of the right;

The **third** type relates to the balance between the interest of protection of the works and that of utilization of the works and increasing their accessibility to the public (see: Orit Fischman Afori, "Judicial Discretion in Granting Injunctive Relief: The Quiet Revolution" in *Creating Rights – Readings in the Copyright Law* (2009) 529, 530 (Hebrew)).

This approach contends that the court, by virtue of antitrust laws or of the doctrine of "abuse of a right," can use its power to deny injunctive

relief, if it deems this necessary in order to promote competition, or where there has been anti-competitive conduct on the part of the holder of the rights (Fishman Afori, at pp. 551-552). Accordingly, it has been suggested “to regard the rule that allows for the negation of injunctive relief as a type of general compulsory license created by the court, which is applied *ad hoc* and for justified reasons” (Fishman Afori, id.). A similar approach was expressed, as we have said, by Justice Dorner in *ACUM v. Galei Zahal* [11], even prior to the enactment of the Copyright Law in 2007.

51. Patent law is indeed different from copyright law, and they both differ from the laws of breeders’ rights; nevertheless, these are all systems belonging to the same “family.” One cannot, therefore, rule out the possibility that these regimes will each, with due caution, affect the other, while taking into account the existing differences between them (see: the words of my colleague, Deputy President, Justice E. Rivlin in *CA 5977/70 The Hebrew University of Jerusalem v. Schocken Publishing House Ltd.* [28], at para. 18). It is the accepted rule in our legal system that in interpreting a law and applying it, we must strive for “statutory harmony” (Justice Y. Susmann in *CrA 108/66 “Dan” Cooperative Society for Public Transport v. Attorney General* [29], 261). With respect to the justification for viewing intellectual property as an entirety, and drawing an analogy from one area to another regarding the said laws, see also per Y. Turkel, *CA 3400/03 Rubinstein v. Ein Tal 1983 Ltd.* [30], end of para. 11). However, an analogy of this type must be drawn with caution, and only insofar as the language of the law permits.

Thus, even though I **do not** believe that within the parameters of sec. 65(a) of the Breeders’ Rights Law as presently formulated, a court deciding on an application for an injunction is **bound** to weigh considerations of the type mentioned, nevertheless, since the respondents raised such arguments before this Court, I will discuss them below.

52. It will be recalled that according to the respondents, under the circumstances of this case, there is no justification for granting the appellants the relief that they seek, for a number of reasons:

(a) Bringing an action for an injunction, as opposed to a monetary claim, or an action for mandamus obligating the respondents to allow the appellants’ representative to enter the fields and count the seedlings, was tainted by lack of good faith and amounted to abuse of the breeders’ right; in this context, the respondents refer mainly to the statements of the appellants’ representative in his cross-examination, who, in response to the question, “Is it true that if [the plaintiff] would have paid all the royalties, including for the non-registered varieties, there would have been no problem?” answered, “...If he would have allowed [me] to count and

check that that is true, there would have been no problem...” (Protocol 9.6.05, at p. 8, lines 17-19).

(b) The appellants did not prove that not granting the relief would cause them monetary damage; granting the requested relief, however, may bring about the financial ruin of the respondents;

(c) Through the Council, the appellants hold approximately 75% of the protected varieties, and they therefore constitute a monopoly; this being the case, their demand that the respondents desist from the cultivation, marketing, sale, export, etc. of the products of the protected varieties amounts to a violation of sec. 29 of the Restrictive Trade Practices Law.

I will discuss these arguments in the above order.

53. In view of the case law and the principles discussed above, I am of the opinion that where **the infringement on the breeders’ right has been proven** (as in our case), denial of the relief established in the Law – which is intended to prevent the continuation of the harm to the property right of the holder of the breeders’ right – on the basis of the doctrine of “abuse of a right” is possible only in extremely rare, exceptional cases, in which the absence of good faith on the part of the claimant and the abuse of his right are so extreme and substantial as to constitute intolerable mistreatment of the defendant. This would be the case, for example, when there is absolutely minimal (*de minimis*) harm to the right (cf. Justice Y. Turkel in CA 3901/96 *Raanana Municipal Council for Planning and Construction v. Horowitz* [31], at 929), or when the requested relief is not included in the range of reliefs that the claimant is entitled to receive.

The case before us **is not** one of those exceptional, extreme cases. Indeed, one may be uncomfortable with the fact that the appellants chose to bring an action against the respondents for injunctive relief when it may have been possible to settle for other legal remedies that may have been considered less harmful. The admission by the appellants’ representative to the effect that if the royalties for use of the non-protected varieties had been paid, “there would not have been a problem,” also gives rise to a feeling of discomfort. In addition, in the circumstances of this case, there is also something disturbing in the fact that the appellants, for whom the breeders’ right constitutes their basic livelihood, requested comprehensive relief which extends beyond the relief to which sec. 36A of the Law entitles them (as explained above). Nevertheless, I do not think that one can say that the appellants’ insistence on relief in the form of an order preventing the continued violation of their property right (which was proven, even if only from the admission of the respondent), which is

included in the “range of reliefs” to which the appellants are entitled by law, amounts to abuse of their right.

Even were I to assume that the economic damage incurred by the appellants due to the infringement on their right by the respondent is not particularly substantial or difficult for them (and as proof, in their claim the appellants did not request the remedy of monetary compensation, nor did they deposit the undertaking and the financial guarantee (which was relatively low) that was set as a condition for the enforcement of the temporary injunction issued by the District Court at their request), it cannot be said that the harm was “*de minimis*.” The intellectual property right in the bred plant varieties is, as stated, a resource that is perceived as reflecting the “self” to a great extent, for the bred variety also contains expression of the “personality” of the breeder. Anyone who wishes to utilize the protected bred variety for commercial purposes is, as a rule, required to receive permission from the holder of the breeders’ right in the protected variety. In cases of this sort, preference should be accorded to “strong” relief that reflects the interest of control on the part of the holder of the right (cf.: *Shoham v. Herer* [14]). Injunctive relief is “first and foremost” amongst the reliefs that the Breeders’ Rights Law grants to the holder of the right in the case of a violation. Monetary compensation is not necessarily an alternative to injunctive relief (*inter alia* because it cannot provide compensation for the harm to the “self” of the breeder), and in the absence of an agreement on the part of the holder of the right, it cannot replace this relief (cf. per Justice Dorner in *Acum v. Galei Zahal* [11]). “Not only is there no mistreatment of the defendant in granting an injunction to prevent a recurrence of the violation in the future, but this is the most common and most effective remedy” (CA 715/68 *Fru-Fru Biscuits v. Frumin* [32], dealing with an action for an injunction for the violation of a trademark which also constituted misrepresentation (at p. 49, para. 4)). Moreover, bringing an action for injunctive relief soon after the holder of the right becomes aware of the infringement may, in certain circumstances, be in keeping with the duty imposed on the holder of the right to minimize his damage (as well as the “damage” of the infringer).

This level of considerations must include the “degree of wrongfulness attached to taking the resource” (cf. *Shoham Machinery Ltd. v. Herer* [14]). The respondent, it is true, did not “steal” the seedlings; rather, he purchased them initially from the appellants’ representatives. However, he cannot pretend to be innocent. The respondent was certainly aware of the appellants’ desire to control the extent of utilization of the protected varieties and to make a profit from them through royalties (whether for utilization of the seedlings purchased by way of licensed repeated propagation or for the sale of additional seedlings). The respondent was

also aware that utilization of the varieties by way of repeated propagation, **without the permission of the appellants**, constituted a violation of the latter's rights in a manner that put him, at least, at risk of an action for injunctive relief being brought against him (to which he agreed in advance): see the terms of the purchase agreement for the seedlings, on which the respondent himself sought to rely. In this last context, I will point out that I cannot accept the respondent's claim that he is not familiar with the terms of the said agreement. The respondent signed the tax receipt for the purchase of the seedlings (to which the agreement is appended), and in so doing, confirmed that he had read the terms of the order. As is known, a person's signature on a document attests to the fact that he read the document, agreed to its contents, was aware of the significance and the consequences of his signature, and cannot, therefore, dissociate himself from it (see, e.g., CA 1319/06 *Shellac v. Tene Noga (Marketing) 1981 Ltd.* [33] and the references cited there). Moreover, the circumstances of our case evince a systematic violation of the breeders' right in the protected varieties, which was done for commercial purposes, with a clear awareness of the meaning of this violation, and not from any error or negligence. Accordingly, this case is not a matter of an "innocent infringer," but of a person who deliberately "appropriated" a right that vests exclusively in the breeder (cf. *Rocker v. Salomon* [20], per President A. Barak, at para. 20).

54. Regarding the respondents' arguments on the "balance of economic convenience": this consideration is not amongst those which the court must weigh in granting an injunction that will prevent the continued infringement on a property right, for in the said action, the plaintiff is not required to prove that he suffered real financial loss due to the infringement of his right (see per (then) Justice M. Shamgar in CA 44/76 *Ata Textile Co. Ltd. v. Schwartz* [34]). The injunctive relief is designed to protect the control of the owner of the intellectual property over the resource. This relief is what grants the property right its power vis-à-vis the whole world, by preventing use of the product in the absence of an agreement (see: *Shoham Machinery Ltd. v. Herer* [14]). Granting recognition to considerations of "balance of convenience" in the context of an action for injunctive relief for the infringement on an intellectual property right undermines the purpose of property rights. Taking into account considerations of this sort in the context of such an action has the potential to negate the proprietary nature of the right and to weaken the entitlement to receive the relief of an injunction by virtue of the Law.

55. Under the circumstances of the case, neither is there room for entertaining the respondents' argument presented in para. 52(c) above, because the Council is not a party to the present proceeding (nor was it a

party to the proceeding before the District Court); moreover, this is a factual argument that requires proof.

Nevertheless, I found the argument that the appellants' demand to receive a sweeping injunction that would apply to **all utilization** irrespective of the protected varieties, and not only utilization involving repeated propagation of the variety, seems to constitute an attempt to create a type of "restrictive trade practice," which disproportionately harms the freedom of occupation of the respondent and the principle of free competition, to be compelling. As a rule, granting an injunction for an infringement on a breeders' right in a protected variety does not amount to a "restrictive trade practice" within the meaning of the Breeders' Rights Law. See, for example, sec. 3(2) of the Restrictive Trade Practices Law, which states that "(2) an arrangement involving restraints, all of which relate to the right to use of any of the following assets: patents, designs, trademarks, copyrights, performers' rights or developers' rights... shall not be deemed restrictive arrangements." However, as I explained above, under the circumstances of the case, when we are situated in the "domain" of sec. 36A of the Law, the comprehensive injunction that was requested – for **all utilization, in any manner whatsoever** – goes beyond the bounds of the "monopoly" that was granted to the breeder by virtue of the Law. Moreover, one must also consider that items of the protected variety were sold by the breeder or with his consent in Israel (sec. 36A of the Law). Granting an injunction in the broad format requested is not, therefore, justified in the circumstances of the case, *inter alia*, for reasons connected with antitrust law (see and cf: Elkin-Koren, at pp. 487-488, 498).

At the same time, one cannot overlook the fact that the respondent utilized the protected varieties without permission, in a manner that allowed him to enjoy a business advantage over his competitors and to make a direct profit from his infringing activity. Under these circumstances, granting an injunction, the scope of which is derived from the scope of the existing right of the appellants in accordance with the provisions of the Law, sends out a deterrent message and serves the interest of preserving the rules of competition (cf. *Shoham Machinery Ltd. v. Herer* [14]). Granting the prohibitory injunction in a format that is more restricted than that requested is, therefore, consistent with the purpose of the Law and with the international obligations of the State of Israel under the Convention.

56. To summarize all the above: I have reached the conclusion that in the circumstances of the case, negating the right of the appellants to be granted an injunction, the scope of which is derived from the scope of the right vested in them under sec. 36A of the Law, would not be justified.

Against whom should the injunction be granted? Should it be against respondent no. 1 alone, who bears direct responsibility for infringing on the appellants' rights (in that he utilized, by himself, the protected varieties, for commercial purposes, in a manner that involves their repeated propagation, without their permission), or should it be against his father, respondent no. 2, who is the owner of the agricultural land on which the infringement took place? This is the question I will now discuss.

Liability of Respondent no. 2

57. In my opinion, respondent no. 2 bears liability for the infringement on the rights of the appellants, due, *inter alia*, to the **doctrine of contributory infringement** that applies in the Israeli law of patents (see: *Rav Bariah v. Habshush* [12], para. 31 per Justice I. Englard), and the application of which was recently recognized in the law of copyright too (see: *Hebrew University of Jerusalem v. Schocken* [28], and FH 5004/11 *Schocken Publishing House Ltd. v. Hebrew University of Jerusalem* [35]).

58. In *Schocken Publishing House Ltd. v. Hebrew University of Jerusalem* [35], the Court ruled that the liability of the “contributory infringer” (to the infringement of copyright) can be recognized, subject to the existence of three cumulative conditions, which are as follows:

The first condition is the actual existence of a direct infringement; the second is the contributory-infringer's knowledge of the direct infringement that had been perpetrated; the third is the existence of a significant, substantial and real contribution to the perpetration of the infringement (*ibid.*, para. 23).

Regarding the second condition, it was ruled that “[p]otential knowledge regarding the perpetration of the infringement does not suffice. Yet, it is not necessary for the contributory-infringer to have had specific knowledge about every infringing copy; his knowledge regarding the existence of the infringing activity is sufficient” (*ibid.*, para. 25).

And regarding the third condition, the Court ruled: “The emphasis in this context is on the effective control of the intermediary on the existence of direct infringement, and on his ability to prevent its occurrence by simple and reasonable means” (*ibid.*, para. 26).

59. In view of the proximity of the laws of breeders' rights to the laws of patents and the other laws of abstract intellectual property, including the laws of copyright, and in the absence of any other provision in the Law that negates the possibility of doing so, I am of the opinion that there is no difficulty in applying the said doctrine here, under the conditions

established in *Schocken Publishing House Ltd. v. Hebrew University of Jerusalem* [35], to the laws of breeders' rights too.

Application of the **doctrine of contributory infringement** in the above case ([35]) led to dismissal of the action against the Hebrew University. It was ruled that infringement on the plaintiff's copyright did, indeed, occur within the campus of the University, but the latter's contribution to the perpetration of the infringement manifested itself only in the fact that it did not prevent the infringement on the right, or did not take active steps to stop the infringement that took place within its grounds, by the students studying there. In these circumstances it was ruled that it is doubtful that the University had the effective ability to control the actions of the students and to actually prevent the perpetration of the infringement within its campus.

The circumstances of the present case are different. The infringement took place within the agricultural fields of which respondent no. 2 – the father of respondent no. 1 – was the owner. The direct infringement was perpetrated by his son. Respondent no. 2 admitted in his deposition that he allowed his son to cultivate the farmlands in order to make a living, i.e., he put the land at the disposal of the son in order for the son to cultivate plant varieties there and market them. These are growers who make use of their lands for the purpose of commerce, and in particular for the cultivation and sale of the varieties that were bred by the appellants. The appellants' letter of 20.2.2000 is also addressed to respondent no. 2, and he did not claim that he did not receive the letter, or that he was not aware of it. Under these circumstances, respondent no. 2 was aware of the violation that was perpetrated on the farmlands of which he was the owner. It cannot be said that respondent no. 2 had no effective ability to control the actions of his son on the holding that he made available to him. As opposed to the University's case, in this case it is unacceptable, in my opinion, to argue that imposing a duty of oversight on the father in a way that would enable him to prevent his son from perpetrating infringements on the land that he owns would impose too heavy a cost on him.

Furthermore, obliging the owner of agricultural lands to take reasonable steps in order to prevent the infringement of breeders' rights on lands he owns and controls (and particularly in a situation of a father and son) can also be grounded, as I see it, in the general law of torts. Usually, the landowner is under a duty of care vis-à-vis those who were injured by activity that took place on his land, on the basis of the assumption that the owner of the property is able to minimize the risks on his land, which he oversees and supervises. Within the bounds of this duty of care it seems possible to include the obligation of the owner of agricultural land, on

whose land varieties of plants and flowers are cultivated, to take reasonable steps to prevent an infringement on breeders' rights in those varieties, particularly in the case of cultivation for the purpose of commerce. Imposing such an obligation is particularly justified after the owner of the agricultural land becomes aware of an infringement that is being perpetrated on his property (see and cf.: per Justice N. Hendel in CA 9183/09 *Football Association Premier League Ltd. v. A.* [36]).

Conclusion

61. If my opinion is accepted, I would propose to my colleagues that we **accept the appeal**, and that we issue a **permanent injunction** against respondents 1 and 2 and order them to desist from all utilization involving repeated propagation of the protected varieties of which the appellants are the holders of the registered breeders' right, for commercial purposes, without the permission of the appellants. The practical ramifications of this outcome are as follows:

(a) The judgment of the District Court will be set aside, and together with it, the obligation to pay court costs and attorney's fees that were imposed on the appellants. The sum that was paid by the appellants pursuant to the judgment of the District Court, insofar as it was paid, will be returned to them, with interest and linkage differentials from the date when it was paid to the respondents until the date of actual payment to the appellants.

(b) The respondents must desist, as of now, from "repeated propagation" of the protected gerbera varieties in which the appellants hold the registered breeders' right, for commercial purposes, without the permission of the appellants; similarly, the respondents are forbidden to cultivate, prepare, and/or maintain – for the purpose of repeated propagation for commercial purposes – the protected gerbera varieties in which the appellants hold the registered breeders' right, without the permission of the appellants. The above will apply until the end of the period of the registered breeders' right.

(c) In addition, it is forbidden for the respondents: to offer for sale, sell, export, import, or otherwise market, and to maintain for the purpose of one of these activities, without the permission of the appellants, the **seedlings** of the protected gerbera varieties in which the appellants hold the breeders' right, **and any of their "harvested material" or "propagating material"** (within the definition of these terms in the Law), **including the flowers of these seedlings – which were "produced" by the respondents by means of repeated propagation** from the time that the action was brought until today, and all this until the expiration of the period of the appellants' registered breeders' right.

(d) To remove any doubt, let me clarify that in view of sec. 36A, as well as the other provisions of the Law, this order **does not** apply to any utilization that **does not** involve repeated propagation of the protected varieties in which the appellants hold the breeders' right, that were acquired by the respondents, in any manner, from the appellants' representatives, or with the consent of the appellants, within the territory of the State of Israel. This means that the respondents are permitted to acquire new seedlings from the protected varieties that are sold, or otherwise marketed by the appellants, or with their agreement, in the territory of the State of Israel, and to utilize them (within the meaning of this term in the Law) in accordance with and subject to the provisions of the Law and the terms of use in them, as shall be defined by the appellants or their representatives, or as shall be agreed directly between the parties.

62. I propose to leave pending the question of whether the appellants will be entitled (if at all) to sue the respondents for any compensation for the past, in view of the determinations in this judgment, in particular given the fact that they refrained from claiming that relief initially and did not even act to fulfill the conditions of the temporary injunction that they were granted (and all this alongside the fact that the respondents continued to pay certain royalties to the appellants). Moreover, it would seem that an overall compromise, even retroactively, in view of the principles that were elucidated in this decision, would be warranted, notwithstanding the permanent injunction, in the spirit of what the parties discussed at the outset and in view of the recent developments, , including additional matters that require a solution and the changes that occurred in the meantime.

63. In addition, I would propose to my colleagues that the respondents bear the appellants' costs in this proceeding in the amount of NIS 40,000.

Justice S. Joubran

I concur.

Justice E. Rubinstein

1. I concur in the comprehensive opinion of my colleague, Justice Melcer. Unlike the patently "Israeli" areas, here we are dealing with a clearly international matter, which has its foundations primarily in an international convention: the International Convention for the Protection of New Varieties of Plants of 1962, which Israel has a duty to uphold in accordance with its international obligations; this Convention underlies the enactment of the Plant Breeders' Rights Law, 1973, and its amendment in

1991 is the backdrop of Amendment no. 2 of 1996 to the Law, whereby sec. 36A was added. The purpose of the Amendment was, as noted by my colleague (para. 24), to achieve a balance between the property right of the breeders, who in certain circumstances are entitled to an injunction under sec. 36A, and the public interest in not allowing an expansion beyond the exhaustion of the right that the breeder sold, except in cases of repeated propagation or the export of propagation material for the purpose of propagation. In such instances, especially, looking to comparative law for assistance – as my colleague has done – is warranted.

2. Let us recall that the balance here is not a matter of “give them a finger and they will take the whole hand.” It does not permit anarchy. Underlying the Law is the property – in this case, intellectual property – right, which has constitutional protection in the State of Israel under sec. 3 of Basic Law: Human Dignity and Liberty. Therefore, restriction of the utilization by the breeder of his property as a function of sec. 36A is subject to the obligation of good faith, and in that regard intellectual property is no different than any other area of civil law (see secs. 39 and 61(b) of the Contracts (General Part) Law, 1973). The monopoly granted to the owner of the intellectual property has constraints, but it may not be abused. I personally am of the opinion that this Court must deal strictly with those who abuse the constraints that the legislator placed on the rights of the owner of the intellectual property. We are dealing with a balance, one that was established in order to serve the interests of the general public of consumers, but when this balance is upset, the property right arises in full force. We are dealing with money, and the temptation is great to benefit from the anarchy or from the grey area; the Court will not be the vehicle for so doing; no person should benefit from that “for which thou hast not labored, neither madest it grow” (Jonah 4:10). “*Homo homini homo est*” said President Barak a fair while ago in *Rocker v. Salomon* [20], at p. 279, and if this (minimal) condition is not met, and we are faced with a “business full of trickery” as counsel for the appellants told us, and it is clear that the problem arises due to the difficulty in establishing the facts – the Court will grant the relief to the person whose property is damaged: see para. 45 of my colleague’s opinion.

3. The clearest indication in the said context of overstepping the boundaries is the matter of the count. If a person has nothing to hide – and when it is not an intimate matter involving internal privacy but rather a commercial dispute – there is no reason to refuse the count; in our case, however, a legal proceeding was necessary in order to conduct the count and examine whether there had been unlawful repeated propagation and an infringement.

4. Several years ago, this Court heard the case of FH 4465/98 *Tivol v. Cheg-Hayyam* [37], and prior to that, the case preceding it: CA 6222/97 *Tivol v. State of Israel* [38]. At that time, I served as the Attorney General, and I remember that my intuitive principled stand was initially the same as that of Justice Turkel, i.e., that weight must be attributed to the values of fairness and integrity; however, I was persuaded by my colleagues in the State Attorney's Department and the Attorney General's Department that the interest of competition must prevail in that case, in view of the balance at that time; this was the position we presented, and it was accepted by the majority of the court, with Justice Turkel dissenting, although some of the justices stated that they agreed with his value-based approach. I raise this now as a kind of "debt of honor," while saying again, as did my colleague, Justice Melcer: the laws of intellectual property are like any other area of civil law, to which the laws of good faith apply, and the court must be aware of them. And let us recall: "If the creator produces something which is of value to another, then the creator is morally deserving of reward for the utility that has been derived from this value..." (Orit Fischman Afori, *The Derivative Work in the Law of Copyright* (2005) 74 (Hebrew)). For the approach of Jewish law to unfair commercial competition, see *V&S Vin Sprit Aktiebolag v. Absolute Shoes Ltd.* [13], at pp. 888-889.

e. Finally, I am aware of the questions that may arise in the area of preservation of intellectual property rights; there will be those who emphasize the property and the right of ownership (and as stated, this is a fundamental right), and others will stress the element of users' rights. The considerations either way are discussed at length in *Authoring Rights: Readings in the Israeli Copyright Law* (M. Birnhack & G. Pessach eds., 2009), an extensive discussion of this is beyond the scope of our case; however, all seem to admit, or ought to admit, that everything is subject to good faith and fairness, and "fair use" – as in the caption of sec. 19 of the Copyright Law, 2007 – plain and simple. For approaches in US law, see, *inter alia*, Robert Cooter and Aaron Edlin, "Overtaking", in *The American Illness: Essays on the Rule of Law* (G.H. Buckley (ed.), 2013) 472, 477-481. One way or another, where – as in our case – it is not the tension between property and another public interest, but rather the tension between the property of one person and the wide pockets of the other that the scales are weighing, the answer is clear to me: the side that will prevail is that of property. This is not like the case in which Steve Jobs (the founder of Apple) complained to Bill Gates (of Microsoft) about an alleged infringement: "It is as if you broke into my house and stole my television," and Gates answered: "Well, Steve ... I think it's more like we both had this rich neighbor named Xerox and I broke into his house to

steal the TV set and found out that you had already stolen it” (Cooter and Edlin, “Overtaking”, at p. 478); nothing further need be said.