

# Israeli Requirement of Good Faith Conduct in Enforcement of Foreign Judgments

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The requirement of parties' good faith conduct is fundamental in Israeli law and jurisprudence. However, only recently the Supreme Court has applied that doctrine to enforcement of foreign judgments as thus far, only lower courts have followed that doctrine.

In **Civil Appeal X [Name removed upon request of Claimant, General Editors of CoL, 26 October 2022] v. Bankruptcy Office Geneva**, the Supreme Court (per Esther Hayut, Chief Justice,) on August 27, 2019, unanimously denied an appeal over a District Court's earlier finding that procedural bad faith is independently sufficient grounds to rule against a party whose conduct during proceedings to enforce a Swiss judgment, was so egregious that it warranted such extreme measure.

"In the course of the proceedings in the case, the appellant demonstrated contempt for the court's proceedings, the counterclaimant's rights and the duties imposed on him under the Rules of Civil Procedure and the judicial decisions given in his case. In doing so, the appellant violated his duty to act fairly and reasonably to enable proper judicial proceeding. In light of all the foregoing, there is no escaping of the conclusion that the appeal before us is one of those rare instances where the appellant's bad faith conduct, who has taken practical measures to thwart the enforcement of the judgment rises to an abuse of court proceedings. Under these exceptional circumstances, in my opinion, it is justified to use the authority given to us and order the appeal be denied in limine."

Although lack of good faith or unacceptable conduct do not, pursuant to the Israeli Foreign Judgments Enforcement Law, provide independent cause to refuse recognition or enforcement of a foreign judgment, "however certainly this carries weight in the court's considerations together with all other conditions"[1] for such recognition or enforcement. [Judge Keret-Meir's ruling in **Bankruptcy File**

**(T.A.) 2193/08 First International Bank of Israel Ltd. v. Gold & Honey (1995) L.P. et al.**

Earlier, the Jerusalem District Court's judgment in D.C.C. (Jm.) 3137/04 **Ahava (USA) Inc. v. J.W.G. Ltd (Ahava)**[2] concerned whether a U.S. judgment precluding an Israeli company from marketing Israeli products in the United States through a website was a foreign judgment enforceable pursuant to the Enforcement Law. The court held that "the filter of 'public policy' allows us to uproot unjust outcomes that may arise from the application of a foreign law,"[3] and addressed at length the essence of public policy:[4]

What is public policy? It is a broad term, "flexible and not entirely definable" .... Some will emphasize the local nature of public policy... but it seems that the basic requirements of law, including good faith, equity, and human rights, do not carry national identities, nor do they evaporate at international borders. Recognition of this approach grew with the erosion of "the archaic definition of the sovereignty doctrine, and as territorial sovereignty boundaries between legal systems blurred" (I. Canor, *Private International Law and the Decay of Sovereignty in the Globalization Age: The Application of Foreign Public Law on International Contracts...* p. 491). This process expanded the definition of public policy and imparted it with a quality of *tikkun olam* (bettering society) in its literal sense, such that appropriate applications are made from the public and private law of foreign legal systems to a domestic forum. In this context, we can even identify certain international rules which obligate even the parties of a **purely domestic** contract (Canor, id. 513). The inclination to apply rules of **global** public policy will increase as the link between the contract and local law weakens. A component of this global public policy is the very need to enforce foreign judgments.

The District Court held essentially that the protection of intellectual property does not in and of itself violate public policy in Israel, as this includes as well the principle that prohibits taking another's work or basing one's work on it, and this principle also applies to trademark law and other protections related to the appearance of the product. In these circumstances, the court ruled that the prohibition placed by the U.S. court, on the basis of internal U.S. trademark law, did not conflict with public policy in Israel.

In D.C.C. (T.A.) 22673-07-10 **Nader & Sons LLC et al v. Homayon Antony**

**Namvar (Nader)**,<sup>[5]</sup> the District Court rejected arguments that a summary judgment by the Supreme Court of the state of New York was unenforceable in Israel as having been rendered in unjust and improper proceedings, so that it conflicted with the public policy of Israel. The respondent argued that the choice of such proceedings in a suit of such broad scope constituted lack of good faith and an attempt to evade thorough investigation of the claims, as well as that significant details and facts withheld from the New York court might have affected the outcome of the proceedings.

The court dismissed these arguments:<sup>[6]</sup>

As stated, external public policy, in the sense of Article 3(3) of the Foreign Judgments Enforcement Law, refers to conformance with the basic principles of Israeli law, and the argument of the respondent regarding the flaws that, in his opinion, characterize the proceedings in New York, as decisive as they may be, do not testify to any conflict with these basic principles (regardless of the validity of these claims) and are not directly connected to the content of the judgment.

In Justice Procaccia commented in C.A. 5793/05 **The Great Synagogue Shone Halachot Association v. Netanya Municipality**:<sup>[7]</sup>

It is true that the Arbitration Law, 5728-1968 does not set a binding deadline on the prevailing party in an arbitration award to file a motion for its confirmation.... Nevertheless, this does not signify that there exists no limit whatsoever for filing a motion for the confirmation of an arbitration award and that the procedural rights of the holder of such an award are everlasting. A party who prevailed in arbitration is required by procedural good faith to submit the award for confirmation within a reasonable time period, given the special circumstances of the relevant incident. A party who for years ignored the award, did not act on it, and appeared to no longer have any intention of enforcing it, is liable to face a procedural estoppel claim (Ottolenghi, *Arbitration: Law and Procedure*, 4<sup>th</sup> ed., 2005, 914-916). Like any other complaint filed with a court, a motion for confirmation of an arbitration award is also subject to the rules of procedural good faith and reasonability regarding the timing, form, and content of the filing. The civil rules of laches apply to the timing of filing, as they apply to civil suits in the framework of statutory periods of limitations.

The question of whether this judgment, which deals with a 30-year delay in filing

a motion for the confirmation of an Israeli arbitration award, will also apply to an arbitral award issued abroad under the New York Convention, remains open and has not been addressed. Because the New York Convention and the regulations for its execution make no mention of laches, it is unclear if the application of the Convention should be restricted and subjected to those principles, thus bypassing the absence of deadline for filing for confirmation under the Convention. In general, foreign arbitration takes place between commercial entities or countries, and at times, the difficulty in enforcing arbitration awards for various reasons is universal. There are many cases in which enforcement in one country encounters protracted difficulties, and then, upon locating debtor's assets in another country, the award holder applies for enforcement of the award in that country. This may be many years after the award was issued. Blocking the procedural path of the holder through laches is unjust, at least under such circumstances, and it appears that the New York Convention's silence in this context is not for naught. Presumably for the same reason, the Convention does not list laches among the grounds for refusal to recognize or enforce an award, nor does it impose a time limit for filing a motion for the confirmation of an arbitration award under the Convention.

For more information, see Haggai, *Foreign Judgements in Israel — Recognition and Enforcement*, published in Hebrew by the Israeli Bar Association. Springer published an English translation.

[1] See Judge Keret-Meir's ruling in Bankruptcy File (T.A.) 2193/08 First International Bank of Israel Ltd. v. Gold & Honey (1995) L.P. et al.

[2]P.M. 5763 (2) 337 (2004).

[3] Id. at 343.

[4] Id. at 344.

[5]Nevo (May 5, 2011).

[6]Id. at 9.

[7]Nevo (Sep. 11, 2007).