

# TIPS®

April 2016

www.tsalee.com | info@tsalee.com.tw

Taiwan Intellectual Property Special



Global Vision

## Taiwan and China IP Experts

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## Amended Guidelines of Substantive Examination on Design Patent Recent Release

The amended Guidelines of Substantive Examination on Design Patent (“the guidelines”) was released on March 1, 2016 by TIPO, after holding two public hearings last year. The new version of the guidelines was put into effect in April 2016. The new amendments are intended to facilitate the practical implementation of the guidelines, and among such major changes include: “interpretation of the disclosure of design drawings,” “requirement of title of the design,” and “eligible amendment to design drawings.” More details are stated as below.

### *Interpretation of the Disclosure of Design Drawings*

Article 136, Paragraph 2 of the Patent Act stipulates that “[t]he extent of the protection conferred by a design patent shall be determined by the drawings, and the description can be considered as a reference.” The design drawings shall disclose the content of the claimed design. Yet, in some cases, such as a design having color scheme or a design-in-part, where the applicant may use colors to depict the design article in the drawings, the claimed scope of which may be redefined by adding a statement in the description of the design.

According to the present guidelines, if the colors shown on the design are intended to be claimed, the drawings or photographs of the design should represent its color scheme. However, if the colors shown on the design are not intended to be patented, current practice accepts with exception the filing of color drawings along with the statement “the color shown on the claimed design forms no part of the claimed design” or “the colors of the present application are disclaimed” in the description of the design, so that the colors shown in the drawings will not be interpreted as the claimed scope. Such tolerance of interpretation of the scope of protection in current practice may transcend the text statement in the description over the visual content in the drawings, which seems to deviate from the legislative purposes of the Patent Act.

The amended guidelines are reflective of the statutory requirement as prescribed by the Patent Act, in that only monotone disclosures, such as ink drawings, computer generated grayscale illustrations, or black-and-white photographs are acceptable for filing a design that excludes colors therefrom. Thus the disclaimers stated in the description will no longer be required or acceptable.

The amended guidelines hold the principle as to what is disclosed in the drawings is defined or claimed in the design. Therefore, it will be clear cut in the future that the color drawings or photographs are specified for claiming a design with a color scheme, and the above-listed monotone disclosures are particularly used for filing a design that excludes color.

The only exception rule remains in claiming a design-in-part, where the drawings are permitted to present “the part of the design that is not claimed” by a single color blocking, in the event of infeasibility use of a dotted or broken lines or otherwise, so as to clearly distinguish the unclaimed part from “the part of the design being claimed.” In this case, the

statement for excluding such part from protection should still be included in the accompanying description to serve the purpose of a disclaimer.

### *Requirement of Title of the Design*

In accordance with the principle rule regarding the disclosure of design drawings, the amended guidelines loosen the requirement for the title of a design-in-part.

As long as the parts in the drawings that are intended to be claimed and those that are not intended to be claimed are presented clearly enough to be distinguished, it is sufficient to identify that the claimed design is a design-in-part. Therefore, it will no longer be necessary to entitle the design as “portion of ... (an article)” when filing a design-in-part application, according to the amended guidelines.

### *Eligible Amendment to Design Drawings*

In the chapter regarding amendments to the disclosure of a design, several examples are added to demonstrate more specifically on which kind of said amendments will be acceptable. In addition, a more specific definition of “the introduction of new matters” is also supplemental content of the amended guidelines.

Before a design patent is granted, the claimed scope can be altered by submitting an amendment to the drawings without introducing new matter to the original disclosure of the design. The determination of “the introduction of new matters” shall be examined on whether the amendment to the drawings generates different content of appearance. If the amendment to the drawings is not directly appreciable from the original disclosure, it is deemed as introduction of new matters in this particular amendment.

Based on the amended guidelines, the amendments to the drawings may lead to the modification of the content of appearance and will be deemed as introducing new matter to the original disclosure of the design. Examples are deletion or addition of certain portions of solid or broken lines, alterations of a portion of the lines between solid lines and broken lines, addition of new boundary lines to the design, or random selection of the compositional elements to be shown in solid lines and broken lines for claiming a design-in-part.

### *Commentary*

In view of the above, the amended guidelines bring substantive changes to the design patent practice, particularly in the disclosure of design drawings. Applicants should prepare to comply with the new rules when claiming their designs.

## The evolving role of the IP Court in patent invalidation

If the Taiwan Intellectual Property Office (TIPO) and the Appeal Board of the Ministry of Economic Affairs both reject and dismiss a third-party action for patent invalidation, the petitioner may bring the case to the Intellectual Property Court (IPC) and submit new supporting evidence.

If the IPC finds some or all of the claims invalid based on the newly submitted exhibit(s), the court has discretion to either (i) remand the case to the TIPO for a decision on reopened invalidation proceedings, during which the patentee may submit post-grant claim amendments for overcoming the newly cited exhibit(s); or (ii) demand that the TIPO issues a decision rejecting the claims based on the IPC's findings where no amendment from the patentee will be admissible. The IPC's choice therefore affects the patentee's ability to keep the patent alive.

Most of the IPC's judgments before 2013 demonstrate the court's tendency for option (i). For instance, in one case the IPC held that the patentee may amend the claims when the case was remanded to and pending at the TIPO. The TIPO may render a different decision based on the amendments.

In another case, the IPC held that the patentee was not able to counter the new evidence in a timely manner because the new evidence was not presented until the IPC's appellate level. The court therefore remanded the case to the TIPO and stated that the patentee should be offered an opportunity for amendments, known as the 'procedural interest'.

### *A moving attitude*

However, the IPC's attitude has been gradually shifting towards (ii); since 2014 it has been asking the TIPO to issue a rejection decision on the claims. For instance, one IPC judgment was entered to invalidate the claims because the patentability of all the claims had already been analysed, leaving the TIPO with no more facts to investigate, and because the patentee had also expressly waived the entitlement to make amendments during the trial.

Likewise, in another judgment, the IPC recited that the patentee was summoned to intervene, but the patentee failed to submit any pleading or attend the hearings. The court therefore confirmed that the patentee had no procedural interest in claim amendments.

Towards maintaining consistency in the IPC's rulings, the Judges Conference of Supreme Administrative Court (SAC) held in April 2015 concluded that the IPC is encouraged to render a judgment directly ordering the TIPO to reject claims and even invalidate the patent by a new decision.

Particularly, the Conference said: "In the case that the court has already reviewed the disputed issues and the parties have also debated thoroughly over the new exhibit(s), while the patentee fails to advise the court of any amendments

pending or about to be filed with the TIPO, the court shall order the TIPO to issue a decision specific to the court's findings."

Some SAC judgments in June and September 2015 started to support the conclusion. One ruling said that: "According to the Patent Act, the patentee has the liberty of timing to request for post-grant amendments to the claims that survive over an invalidation action. Therefore, there is no bias against the invalidation petitioner's right to submit new evidence or against the patentee's right to submit amendments. If the IPC determines the new evidence being sufficient whereas the patentee did not exercise his right to amend, the IPC shall grant a favourable decision to the plaintiff ordering the TIPO to issue a specific rejection decision."

In another judgment the SAC said: "Since the IPC has reviewed the disputed issues along with oral debates and the patentee showed no interest to amend, the court may revoke the TIPO's decision and order the TIPO to issue a specific decision of claim rejection."

Viewing the above, the conclusion seems to have been enforced. As one recommended strategy, during a trial the patentee is advised to request the judge to disclose his/her opinions on the validity of the claim(s). In case the claim has no merit in view of the new evidence, the patentee should consider an amendment, or at least show his/her intention to do so before the IPC judgment is rendered.

## TIPO to Waive Publication Prerequisite for PPH and AEP

Since April 1 of 2016, applicants who wish to expedite Taiwanese invention patent applications through either the PPH<sup>1</sup> or AEP<sup>2</sup> route, publication of the invention applications is no longer required.

TIPO previously required the pending application to be published before being eligible for accelerated examination under the PPH and AEP processes. Specifically, patent applications which are not yet published upon a request for acceleration shall be requested for early publication. Along with the publication request an official fee of NT\$1,000 would apply.

Since backlog clearance has successfully met TIPO's aimed expectations, and that the pendency period continues to be reduced each year<sup>3</sup>, TIPO has available capacity to initiate substantive examination for an application before it is published<sup>4</sup>, after the applicant's request for PPH or AEP. Some major jurisdictions such as the USPTO, JPO, and KIPO do not regard early publication as a part of the requirement for PPH eligibility. Hence, the publication prerequisite for PPH is either redundant or is of no advantage for international harmonization.

By waiving the publication prerequisite, not only the applicant is free from being charged of some fees but each acceleration program becomes more accessible to the applicants.

The table below briefly summarizes the requirements for PPH and AEP eligibility:

	PPH	AEP
Timing	Substantive examination stage examination; before receiving any office actions on the merits prior to or at the time of the request.	Substantive examination stage; any time prior to final rejection or allowance of a patent application.
Documents <sup>5</sup>	All office action(s), all claims determined to be allowable, cited reference(s), and an analysis of claim correspondence.	Application publication (if available), notice of allowance (if available), office action(s) and search report(s), cited non-patent literature(s), a statement of claim comparison, explanations for claim patentability (if necessary), and claims.

<sup>1</sup> Thus far, TIPO has reached into bilateral PPH agreements with USPTO, JPO, KIPO, and the Spanish OEPM

<sup>2</sup> Short for Accelerated Examination Programs, Taiwan's own acceleration scheme supplementary to the PPH, applicable to all foreign counterparts of Taiwan applications.

<sup>3</sup> At the end of 2015 the pendency was 15 months for issuance of first OA and 23 months to allowance/rejection.

<sup>4</sup> 18 months from the filing date or the earliest priority date, if any.

<sup>5</sup> Disclaimer: as an illustration in brief, each item listed herein do not completely represent all detailed requirements of the same.

## Supreme People's Court Publishes the Second Set of Interpretation of Law for Trying Patent Infringement Disputes

### Introduction

The Trial Committee of the Supreme People's Court on January 23rd, 2016, approved the "Interpretations (ii) of the SPC on Several Issues concerning the Application of Law in the Trial of Patent Infringement Dispute Cases" (hereinafter "Interpretation (ii)"). Comprised of totally thirty-one (31) articles, the Interpretations (ii) have been in effect since April 1st of 2016. The Supreme Court's first Interpretation was released in December 2009. Among all perspectives, the Interpretations (ii) are focused on several issues including but not limited to contributory and induced infringement, shift of the burden of proof, new design of court proceedings when invalidation of patent right is involved, a good-faith user's safe harbor defense, compulsory license replacing injunction orders, etc. Details of each focus are laid out as follows:

### Indirect Infringement

Article 21 of the Interpretation (ii) prescribes the constitutive requirements of contributory and induced infringement. An infringer who knowingly provides the raw materials, semi-finished products, parts and fitting components, or equipment specifically designed for practicing the patent and for commercial purpose, shall be liable for damages. Also, an infringer who, driven by commercial purpose, exercises the patent right without the patentee's consent or actively induces another to commit infringement, shall be liable jointly and severally for damages.

Note that in the Draft of the 4th Amendment to the Chinese Patent Law, similar provisions of secondary infringement have also been sent for State Council's review. Such legislation will essentially bring harmonization to China's system with some major jurisdictions, such as the U.S. While we may expect the same liability being enforced by a higher hierarchy of the laws in a foreseeable future, some yet hope to see that more clear criterions for indirect infringement will be addressed via the implementing regulations of the Amended Patent Law.

### Shift of Burden of Proof

Generally the patentee initiating the action has the burden to prove the facts of infringement before the court. Article 27 of the Interpretations (ii) partially adjusts the burden of proof to resolve the long-term issue of "hard to prove, low damages award." Specifically, when the patentee has provided the prima facie evidence regarding infringer's gained profits, the court may order the infringer to further present relevant ledgers and data in his possession. In failure to comply, the court has discretion to determine the monetary damages based on patentee's evidence and claimed amount. The shift of burden of proof is so formulated in reference to the rules for obstructing accessibility to evidence as stipulated in the Trademark Law. The principles for calculation of damages remain as is in the Patent Law.

### Shortened Civil Proceedings

The adjudication pendency for a patent infringement case might be long than tolerable. Frequent use of the invalidity defense significantly contributes to the lengthy process due to the bifurcated system between administrative and civil proceedings. Upon an invalidation action being raised, the

civil case will commonly be suspended until the final outcome of the invalidation decision firstly made by the Patent Review Board of SIPO (the "PRB") and then confirmed by the administrative courts. Tiered level of administrative litigation procedures implies that tremendous time and effort must be invested before the infringement case can be resumed.

To improve procedural efficiency and shorten the trial pendency, Article 2 of Interpretations (ii) provides a procedural economy by moderately unwinding the two proceedings. It allows the court of civil proceedings to dismiss the case upon the decision of patent invalidity made by the PRB, without awaiting a final judgment from an administrative court. However, if the decision of patent invalidity is later revoked by the appellate administrative decision, the patent owner is entitled to initiate the same litigation again free from the concern of *res judicata*.

### Safe Harbor Defense for Good-Faith User

According to Article 70 of the Patent Law, a good-faith user or seller may be exempted from infringement liabilities by demonstrating the source of infringing products being legitimate. The question lies in whether the patentee is able to further enjoin continued use of infringing products and even may be entitled to royalties from the user, who has not only proven the legitimate source of products, but also exchanged the patented product with a reasonable consideration. It is deemed an ambiguous expansion from the literal scope of patents because the good-faith user may have already reasonably compensated a third party from whom he or she obtained the patented products. For the balance of interest, Interpretations (ii) limits the exercise of patent rights against good-faith users or sellers who can prove their products are from a legitimate source. By the request of the patent right holder, continued use can be enjoined even when the good-faith user proves their good-faith intent and the legitimacy of the origin of products. But if the user proves not only the legitimacy of the source of products and that they obtained the products by a reasonable consideration, continued use may be allowed by the court.

### Compulsory license in replace of Injunction Order

Injunction against an infringing activity is the common purpose for most patentees. An exception is stipulated in Article 26 of the Interpretation (ii), which empowers the court to rule differently considering the balanced interest between the public and the rights holder. In case of compromises of the public or national interest, the court may rule a compulsory license ordering the accused to pay reasonable royalties, instead of granting an injunction enjoining infringement acts.

### Conclusion

More requirements and provisions including definition of functional features, exercise of standard-essential patents, types of file-wrapper estoppel, pre-granting a right of an invention patent application, agreed amount for damages, etc. are all stipulated in Interpretation (ii). By supplementing the legal system, Interpretation (ii) is hoped to fortify the role of judiciary power in order to effectively deter infringement activities and spur innovation and technical advancement.

## Trade Dress Protection under Fair Trade Act

A product's appearance or shape is a key factor for successful marketing in many occasions. By designing a fanciful, creative, or aesthetic appearance, the product can more easily attract the consumers' attention. While manufacturers often invest in developing product designs, how the appearance is protected from third party's misappropriation, piracy, or plagiarism is a major issue. In Taiwan, the appearance of a product can be subject to IP protection such as design patent, trademark, copyright, or, specifically, trade dress under the Fair Trade Act. Unfortunately, as the Taiwan Intellectual Property Office interpreted, a trade dress can be protected as a three-dimensional trademark only when it has acquired secondary meaning among relevant consumers after a long-term use in the market. Besides, design patent is way more than a walk-in matter. A design must possess creativeness and novelty in order to be patented. Such standards would be hard to achieve for some commercial products having unique but commonly seen elements. These products may gain rapid popularity among consumers but the IP protection thereof is always insufficient and left behind. In other word, expecting an immediate trademark or design patent protection for an instant-hit newly released product is usually difficult.

In order to close the loophole, Article 22 and 25 of the Fair Trade Act respectively prescribes "prohibition of use of representation of goods" (Article 22) and "prohibition of deceptive or obviously unfair conduct compromising trading order" (Article 25) as legal instruments for trade dress owners to safeguard their IPs. Details are as follows.

### Article 22: Protectibility of Representation of goods

Referring to a product's featured distinctiveness or secondary meaning, the representation of goods serves to indicate the origin of products so as to enable an individual to identify the authentic source from the other. By statutory definition, a representation can be a person's name, a business or corporate name, a trademark, a container, a package, or a trade dress of goods demonstrating a given product, etc.

Generally, a protectable representation of goods shall be well-known that relevant consumers may recognize where a given product is from when it is used on the goods or services. For determining the level of fame, a court has the discretion to evaluate several factors including the volumes of commercial advertisements, duration of marketing, sales numbers, coverage on media, reputation and quality, market share, and surveys in relations to the product. On the other hand, when considering similarity between an allegedly infringing and an authentic product on which a representation is used, the court will not be restricted to the list of classification of goods under the Trademark Act. For instance, a beer coaster can be infringing a liquor bottle by using latter's well-known trade dress even though two products are classified in two different categories.

To trigger Article 22, the infringing product must also have to cause confusion to relevant consumers as to the authentic source of goods. Three principles are available to determine confusing similarity. The principle of observation-in-whole requires comprehensive comparison of the two disputed products with their general features leaving along the details. The principle of main-feature-comparison, instead, focuses on the difference of particularly significant features. Last, the principle of isolation-observation provides a view from the perspective of a consumer whether confusion occurs when the two disputed products are seen in different time and places.

### Article 25: Dead Copy as a Deceptive or Obviously Unfair Conduct

In cases where the degree of fame of a product's appearance does not reach the level required by Article 22, it may still be protectable under Article 25 by asserting infringer's conduct of substantial copying as a type of unfair competition. In practice, to determine the ground of Article 25, the court will analyze whether the trade dress owner's economic interest is misappropriated by the infringer, whether there is a likelihood of confusion, the mens rea of the misappropriation, whether the plagiarism is completely identical or extremely similar, the relationship and causation between the infringer's competitive advantage ever gained and the effort for achieving said advantage he/she ever invested, the uniqueness and market share of the plagiarized appearance in the market, etc.

### Remedy

Remedies are available as both administrative complaints and civil litigations. Although violation of Article 22 will no longer be subject to administrative penalties, a trade dress owner may still file complaints to FTC against obviously unfair conducts such as dead copy under Article 25. In addition to administrative route, the trade dress owner may straightly initiate a civil action at the IP court under the grounds of either Article 22 or 25 violation.

At the court, a trade dress owner may claim for injunctions or monetary damages. Even though the damage is calculable from commercial gains of the infringer, practically the difficulty during the course of evidence collection may be an obstacle to attaining a reasonable amount, different from the Trademark Act where a statutory multiplier of 1,500 timing the unit price of a infringing product is available for determining a recoverable figure. Given that, for bad-faith infringement, the court may award punitive damages in triple at most.

## Case Example: Suntory v. General Biotech Alcohol



Source from: Apple Daily News, Taiwan

Suntory sued defendant at the IP court for infringement on its whiskey bottle appearance and packaging, after its complaint filed to Fair Trade Commission (FTC) was dismissed. The questions in the case are summarized as follows,

1. Whether the design of Suntory's whiskey bottle is a protectable representation/trade dress?
2. Whether there is other alcoholic product adopting similar design that dilutes the distinctiveness, if any, of Suntory's whiskey bottle?
3. Whether the brand name and manufacturer's name labeled on the allegedly infringing package prevents consumers from being misled or confused?

The court found that, viewing the evidence from commercial advertisements and Suntory's website, Suntory had long been emphasizing the aesthetic features of their bottles. Suntory's market research evidence also demonstrated the fame of its products by receiving recognition from more than 60% survey respondees. Considering the fact that Suntory's bottle design is quite unique, the court confirmed its distinctiveness. As for defendant's counter argument of dilution, the court disagreed and explained that the obvious difference between the two bottles and packages successfully avoided Suntory's distinctiveness from being diluted. Next, defendant's argument of no confusion that the brand name and manufacturer's name are different was neither admissible. The court applied the principle of observation-in-whole to compare the colorations and geometrical proportions. The court found substantive similarity between Suntory's and defendant's bottles, which would potentially cause confusion in the marketplace. Based on the foregoing, defendant's bottle design is infringing on Suntory's trade dress.

## Case Example: Rimowa v. Deseno



Rimowa has been using its signature groove design on series of luggage product lines since 1950, and the same design has also been decorated on its Taiwanese products since 2003. Under Article 22 and 25, Rimowa sued defendant for unfair competition by utterly copying its groove design. The main issue is whether the groove design is distinctive. The court first analyzed Rimowa's advertisement volume, reputation, and the emphasis of groove features disclosed on the advertisement and webpages, and found that Rimowa's groove design deserves as a protectable trade dress. As for defendant's counter argument of dilution that many imported products bearing the same or similar design exist everywhere, the court disagreed by pointing out that those imported products were not as pervasive as they are now until one or two years ago. By applying the principle of observation-in-whole, the court found the two products being confusingly similar and would therefore mislead consumers. Since Rimowa's groove design is a well-known trade dress, defendant's use of the same design on luggage is accountable as an unfair competition. The case has significant meaning as being one of few cases where the court recognizes the appearance of a plaintiff's product as a trade dress.

## Conclusion

According to the foregoing, it is understandable that to enjoy a protection under Fair Trade Act for an appearance of a product in Taiwan may not be as easy as wished. The plaintiff would need to present considerable amount of supportive evidence for establishing well-known status and distinctiveness. Since the court is vested with discretion determining relevant facts, success of a representation being confirmed distinctive is not guaranteed. Hence, legal instruments such as trademark and design patent would nevertheless serve as a strategic insurance to secure an even more comprehensive scope of protection. For instance, sending a cease-and-desist letter along with trademark and patent certificates as manifestations of rights would less likely be ignored by an allegedly infringing party.

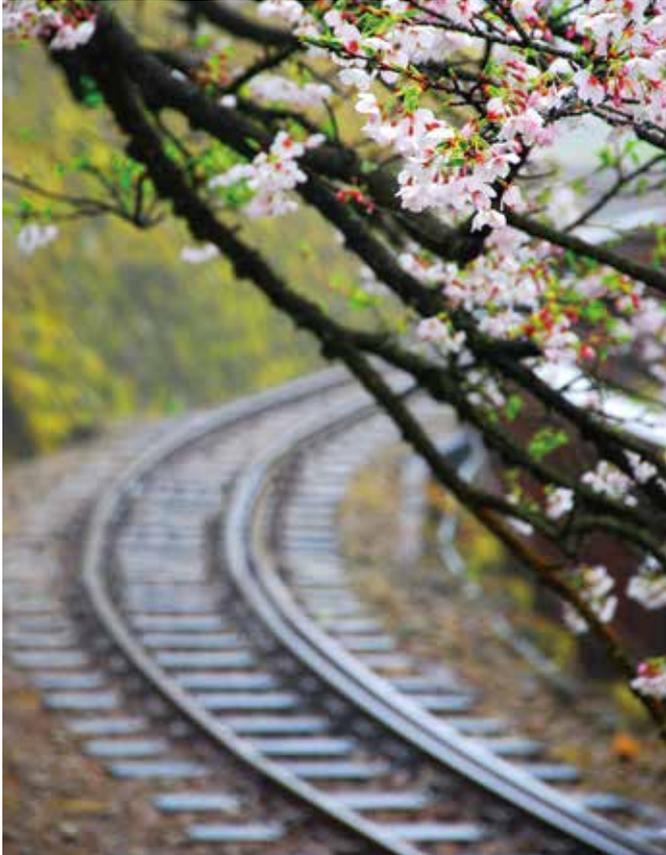
On the other hand, for the sake of potential litigation in the future, the marketing or sales staff should frequently promote the uniqueness of product's appearance in the course of advertising. Only in this way may the court be more likely to confirm the distinctiveness of a trade dress. Lastly, as a trade dress is growing famous in the marketplace, swift and timely legal actions against any fake or infringing products is necessary to defend dilution challenges.

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April 2016

EDITORIAL PANEL



**TSAI, LEE & CHEN**  
Patent Attorneys & Attorneys at Law

11F, 148 Songjiang Road, Taipei 104, Taiwan |  
T (886) 2-2571-0150 | F (886) 2-2562-9103 |  
T (886) 2-2564-2565 | F (886) 2-2562-7650 |  
japan@tsailee.com.tw 日本語送信 |  
info@tsailee.com.tw | [www.tsailee.com](http://www.tsailee.com) |



Publisher [ttsai@tsailee.com.tw](mailto:ttsai@tsailee.com.tw) Thomas Q.T. Tsai  
Writer in Chief [cjchen@tsailee.com.tw](mailto:cjchen@tsailee.com.tw) Crystal J. Chen  
Research Support James H.C. Su and Kevin C.W. Feng  
Art Editor Tommy Y.H. Tang  
Photo Credit (Cover) Shutterstock - Cherry Blossom at Alishan, Taiwan

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