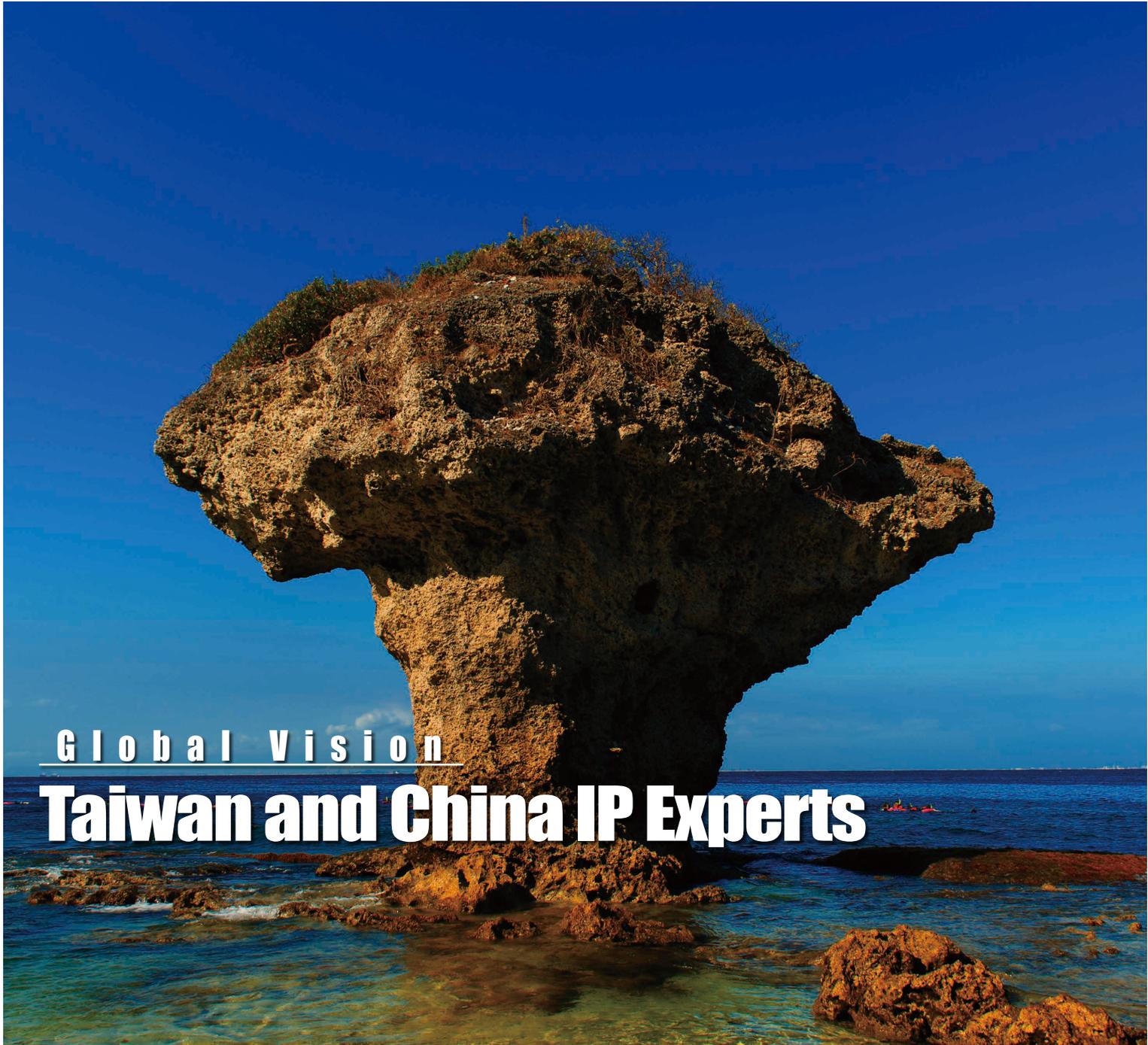


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Taiwan Intellectual Property Special



Global Vision

## Taiwan and China IP Experts

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## TIPO Proposed to Amend IP Laws Echoing Trans-Pacific Partnership Agreement



**Responding** to the Trans-Pacific Partnership (TPP) agreement contracted by 12 Pacific Rim member states on February 4, 2016, Taiwan has been endeavoring to review relevant national laws and regulations in the hope of future TPP participation. The Taiwan Intellectual Property Office (TIPO) has been formulating draft amendments to the IP laws as an effort to fill the gap between current system and IP regulations of the TPP. On May 12 of 2016, TIPO released a first series of drafts of amendments to the Patent, Trademark, and Copyright Acts. These drafts have been sent to Taiwan's Executive Yuan, the executive branch of Taiwan's central government, for review. Although the amendments will be introduced in a form harmonizing with the TPP standard, predictably the draft bills may be modified before being passed as effective laws by the Legislative Yuan.

***Focuses of amendments to Patent Act are outlined as follows:***

### 1. Extension of Grace Period

In order to encourage filing of patent applications, the grace period will be extended to 12 months from occurrence of disclosure, in contrast to a previous six (6)- month period stipulated by current law. The applicable facts of said disclosure will be either 1) out of the intention of the applicant or 2) without the consent of the applicant, which is echoing Article 18.38(a) of TPP. The general language set forth in the amended statute suggests that the applicant's intentional disclosure will be able to enjoy the grace period and said disclosure does not need to be limited to only specific types of incidents, nor does the disclosure require any limitations to be made by the

applicant. Moreover, an applicant's prerequisite of specifying facts and the date of disclosure simultaneously at time of filing will be lifted. The amendment essentially relaxes the eligibility and procedural requirement of the grace period system.

However, if the disclosure is a publication of another foreign or domestic patent application, given that such publication is foreseeable and may be intended by the applicant, the applicant will not enjoy this grace period because the publication is formulated under the patent filing mechanism. In this scenario the principle of first-to-file shall prevail.

### 2. Limitation on Prior User Defense

As an exception to prior user's defense, during the grace period a third party becomes aware of the disclosed invention and the inventor expressively reserves his right to patent, the third party will be barred from exercising prior use defense. Paralleling the draft amendment with respect to grace period extension, the statute will be read as that "[the prior user right] shall not apply where the person has learned of the invention from the patent applicant for less than twelve (12) months and the patent applicant has made a statement reserving his/her right to a patent being granted;"

### 3. Patent Term Adjustment due to Office Delay

Unreasonable office delay during examination shall be compensated to patentee according to Article 18.46 of TPP. In the draft amendment, the patentee is entitled to patent term adjustment of a maximum of five (5) years if patent issuance is made for more than five (5)

years from filing date or three (3) years from examination, whichever is later. A time period which is not attributable to the examiner or is attributable to the applicant shall be excluded.

The request for adjustment shall be made within three (3) months from the patent issuance. Besides, when the term patentee requests for adjustment and the delayed time period calculated by TIPO are different, whichever one that is shorter shall prevail.

Two grounds for invalidating an adjusted patent term are also provided. Anyone may file for invalidation either 1) if the adjusted term exceeds the period of office delay or 2) if the entity/person requestes for adjustment is not the patentee. Yet, invalidation under ground 1) only applies to the adjusted term segment that exceeds.

#### 4. Litigation and Patent Linkage

Patent-market approval linkage will be introduced into Taiwan's patent system for the first time along with a draft amendment to the Pharmaceutical Affairs Act to identify any potential patent infringement as a result of generic competitor's new drug application (NDA). When a generic competitor alleges that the patent is invalid or not infringed by the generic NDA, the patentee may file infringement action upon receiving a notification. In reverse, if the patentee fails to initiate, the generic competitor may file for a declaratory judgment seeking no infringement.

***Amendment to Trademark Act is drafted and summarized as follows:***

#### 1. Civil Liability and State of Mind factor

Article 18.74(3) of TPP prescribes that a person who is liable for damages in civil proceedings shall be either knowingly or with reasonable grounds to know his engagement of infringing activity, which has a lower standards than and is contrary to Taiwan's current Trademark Act. A stricter "intentional" state of mind is indispensable for constituting indirect trademark infringement, such as manufacturing and selling trademark labels to a trademark infringer.

To keep in line with TPP, the draft amendment removes the "intentional" state of mind from the provision for statutory trademark infringement. Therefore, either directly or indirectly, preparatory or contributory infringement of a trademark, such as making, selling, possessing, displaying, importing, or exporting goods or service with which a label, tag, or packaging identical or similar to the trademark attached/associated to another, the state of mind requirement will be resorted back to that in the general provision of civil liability, namely negligence or intention.

#### 2. Criminal Penalty for Trademark, Collective Trademark, and Certification Trademark Infringement

Article 18.77 (3) of TPP provides that criminal procedures and penalties shall be "applied in cases of willful importation and domestic use, in the course of trade and on a commercial scale, of a label or packaging: (a) to which a trademark has been applied without authorization that is identical to, or cannot be distinguished from, a trademark registered in its territory."

In reference to Article 18.77 of TPP, the draft amendment has specified that use for commercial purpose, of a label, tag, or packaging that is identical to or cannot be distinguished from a registered trademark, collective trademark, or registered certification mark to make, sell, possess, display, import, or export the same product or service shall be subject to criminal liability.

Additionally, to be criminally liable owing to the afore-mentioned acts, an infringer's "knowing," or actual intent, requirement will be replaced and broadened by a mere "intent" which includes both actual and indirect intent.

This criminal penalty also applies to infringement of marks via means of electronic media or Internet service.

***Copyright Act is proposed to be amended as follows:***

**1. Extension of Copyright Term**

The copyright term for a work, a joint work, or a pseudonymous work will be the life time of the author and 70 years from his decease. The copyright term for a work where the author is an entity or for a work being photographic, audiovisual, or sound recordings will be 70 years from publication.

Nevertheless, in the event where the 50-years term of a work is terminated before the amendment becomes effective, such work shall not enjoy another copyright term of the 20-years difference.

**2. Criminal Penalty against Compromise of TPMs**

Disarming, destroying, or by any other means circumventing technological protection measures (TPMs) in order to facilitate unauthorized access to or copying a protected work, for commercial advantage or financial gains, will be subject to criminal liabilities.

**3. Action without a Complaint**

The authorities may initiate legal action on its own initiative against copyright infringement by copying and dissemination in commercial scale according to TPP. Criminal offenses that are able to be prosecuted by the public prosecutor without a formal complaint will be reproduction of a work without authorization with the intent to sell or rent, the act that knowing distribution or publicly display or possession of copies with an intent to distribute, or public recitation, broadcasting, presentation, performance, transmission, display, adaptation, compilation, or leasing.

**4. Protection of Encrypted Program Signals**

As a new chapter in the Copyright Act, encrypted program-carrying satellite and cable signals shall not be willfully received or further distributed to others without authorization.



## TIPO accepts Electronic Priority Document starting from June 2016



The Ministry of Economic Affairs, the superior agency governing Taiwan IP Office (TIPO), on June 29th, 2016, promulgated amendments to several provisions of the Enforcement Rules of the Patent Act (Enforcement Rules), Regulations Governing the Implementation of Filing Patent Applications and Services by Electronic Means (RPEM), and the Regulations Governing Submission of Foreign Language Application Documents (RFLA). Major changes made pursuant to the amendments are set forth as following.

### 1. Electronic Priority Document (EPDs)

For encouraging electronic filing for patent matters and implement the policy to build a paperless working environment, when claiming priority an applicant may, instead of submitting an original hard copy issued by a foreign patent authority, provide an EPD along with an affidavit manifesting the electronic version is identical to an original copy. The EPD practice is a result of amendments made to the Enforcement Rules and the RPEM.

An eligible EPD can be one of the following issued by a foreign patent authority:

- (1) An electronic document stored in a DVD;
- (2) An electronic document transmitted via Internet service; or
- (3) An electronic document prepared by the applicant by scanning an original copy.

When submitting an EPD, as an alternative to electronic sheets, the applicant may submit a DVD or a DVD replicate issued by the foreign patent authority, or a self-burned DVD containing aforementioned Internet-transmitted or self-scanned document. In a circumstance where the applicant claims multiple priorities, the plurality of EPDs can be burned and stored in a single DVD where application number of each included priority shall be specified. Where there is

more than one DVD submitted, the number of the discs shall be specified.

To remind, according to the currently effective Patent Act that the statutory period for submitting of a priority document is sixteen (16) months after the priority date, the applicant is therefore allowed to provide the EPD simultaneously upon filing or later within said 16 months.

As a take-home message for Tsai Lee & Chen's clients, since China also accepts EPDs, for your convenience please provide us the electronic copies only when choosing to file in one or both of CN and TW.

### 2. Others

Other than electronic measures for priority documents, the amendment further reaches out to relax of formality requirement for patent filing in foreign language as well as the description requirement for design applications.

A specification filed in a foreign language, usually in a case where a foreign applicant claims priority, was to be made as a formal document for filing which cannot be substituted by either a priority document or a patent application publication, according to Article 5 of the RFLA. Now, with reference to international legislative examples and the Patent Law Treaty, for easing applicant's burden during filing, the above noted Article 5 as a formality requirement is therefore deleted.

Besides, in the description of a design application where a computer icon or a graphic user interface (GUI) having continuously changing appearance is claimed, the order of changing shall be clearly specified. In the drawing of a design application the reference views are to be employed to specify the designed article or the design's surrounding ambience.

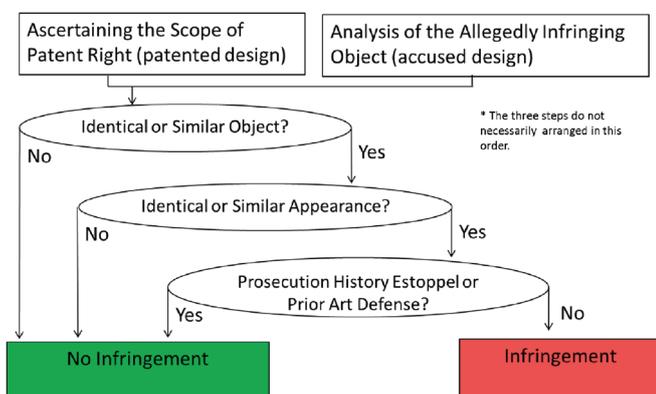
## 1. INTRODUCTION

Taiwan Intellectual Property Office revised the “Directions for Patent Infringement Assessment” in February. The revision was made with a considerable modifications in reference to foreign rulings and respective literature from nations including the U.S., Japan, and China. The document has been renamed as the “Directions for Determining Patent Infringement” (Directions).

With respect to design patents, major revisions have been made to the general procedure for determination, the measures to ascertaining the scope of a patent, the subject according to whom the determined will be made, the three-way visual comparison, and the infringement determination for new types of protectable designs.

## 2. REVISION SUMMARY

### 1) General Procedure for Determining Design Patent Infringement



The procedure consists of two stages. The first stage is interpretation of patent scope, while the second stage requires a comparison between the entire patented design with the corresponding scope of the accused design employed on the allegedly infringing article. The second stage can be further divided into four steps which are:

- (1) Resolving the allegedly infringing article;
- (2) Deciding whether the articles on which the two designs applied are identical or similar;
- (3) Determining whether the two appearances are identical or similar; and
- (4) Checking whether prosecution history estoppel or prior art defense is available.

Notably the latter three steps are not necessarily carried out in the given numbered order. Namely, observations for similarity and identity of the article and appearance do not have to precede the investigation for prosecution history estoppel/prior art defense. Furthermore, in cases where the accused infringer raises one or both of the defenses, its related argument shall be reviewed and weighted simultaneously with step (2) and (3). When a defense is entered, the court may directly rule for non-infringement even without analyzing the degree of similarity or identity.

Significantly, the previously required step of deciding if the accused design comprises any “novel features” has now been deleted, according to the Directions.

## 2) The Principle and Concept for Patent Scope Determination

The patent scope of a claimed design is dependent on the drawings; the description may be considered as a reference only. Determination of design patent scope serves to correctly identify the presented appearance and article for which the patented design has been applied. Only when the scope has been reasonably determined can it be used as the comparison basis. In the Directions, the scope of patented design no longer needs to be translated into a literal description before the comparison. However, the following instances may be elaborated as auxiliary means aiding the course of determination, if necessary:

- The general methods used for preparing drawings, such as the meaning of dotted lines used in the drawings;
- Passages in the file wrappers where the scope of patented design is referred or related;
- Differentiate visual features from functional ones that are disclosed; etc.

The constitution of the patented design should be identified as an integration of the shapes, patterns, and colors that are disclosed by all views in the drawings. The design features disclosed by each of the view should all be weighted. Moreover, one cannot preclude a feature of the designed article from comprehensive evaluation only because it is either visible or invisible when used or only because it is also functional.

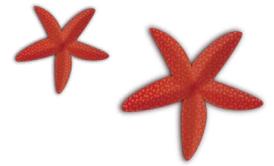
According to the Directions, “intrinsic evidence” for determining design patent scope includes the related prior patent applications and associated prosecution history files. The hierarchy of intrinsic evidence precedes that of the extrinsic ones in terms of the order of adoption. When conflicts between the two arise, intrinsic evidence prevails.

Scope of a design patent is consists of an “article” and its “appearance,” both of which are based on the drawings with reference to the description in the specification. For a design which has a changing appearance, for instance a transformable robot toy, or a graphic design having a changeable appearance, the patent scope shall be determined based on all changing states disclosed in the drawings. In the event where the changing is continuous and dynamic, the order of changing described shall also be considered.

## 3) Construing Patent Scope for New Types of Designs

There were four newly eligible designs recently introduced by the Amendment to the Patent Act 2011, namely the partial designs, graphic designs, designs of a set of articles, and derivative designs. The core methodology of patent scope interpretation for these designs is how the “portions claimed for protection” (claimed portions) are identified from “portions not claimed for protection” (unclaimed portions).

Particularly, when disclosure of the drawings is indefinite such that the scope thereof cannot be ascertained even after referring to specification and



other evidence, the protection shall be construed by the “narrower scope,” based on the patent validity assumption. For graphic designs, the bordering line used to indicate a claimed design does not serve any limitation over the graphic’s position, size, and distribution in the situated environment.

Page 67-75 of the Directions comprehensively lists further descriptions and examples in detail.

#### 4) Reference Subject for Determining Infringement

In the first stage for interpreting the patent scope, the Directions replace the viewpoint of a PHOSITA (“person having ordinary skill in the art”) by an “ordinary consumer” as the subject for determination. An ordinary consumer is further defined as an individual who has a general level of knowledge and understanding regarding the article and therefore is reasonably familiar with said article. By referring to the prior arts in the field of the article, an ordinary consumer is able to fairly identify the difference between the allegedly infringing article’s design and the patented design. Notably, an ordinary consumer is not the one being familiar with the sales and marketing of the article but merely being a person who is familiar with the article and similar prior art. (Level of familiarity of prior art goes by: expert and professional designer > PHOSITA > ordinary consumer who is reasonably familiar with the article and similar prior art > consumer)

#### 5) Resolving the Allegedly Infringing Article

When resolving the allegedly infringing article, it shall be compared with the corresponding scope of the patented design. Irrelevant areas of the appearance shall not be included for comparison. Page 76-77 of the Directions comprehensively lists further descriptions and examples in detail.

#### 6) Tests for Comparison and Determination

Identity and similarity comparison of the designed articles and the appearances are two steps for determining design patent infringement, as aforementioned.

Essentially, articles with the same uses are the same articles whereas articles of similar uses are similar articles. On the other hand, while “identical appearance” means complete consistency and conformity of the shape, pattern and color between the accused design and the patented design, “similar appearance” suggests the overall appearances of the two designs embrace no substantial difference.

There are three approaches for comparison as follows:

##### a. Straight observation:

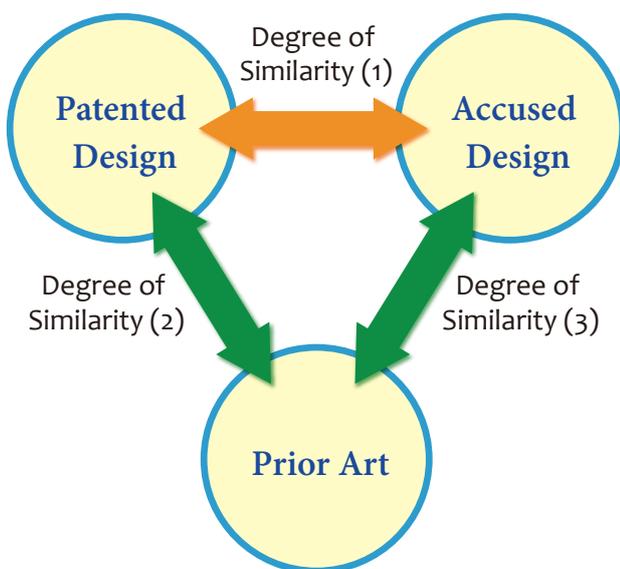
Based on ordinary consumer’s shopping habits, the approach of straight observation requires one to observe directly via naked eye without the aid of instruments which may enhance nuances. In other words, by using straight observation, one

shall no longer isolate the accused infringing article from the patented one and then observe their differences in different time and places, in order to avoid holding a vague memory as the basis for determining similarity or identity.

b. Overall observation and integrative determination:

First observe and compare the design features of the two in order to analyze the difference, and then integratively weight the contribution of all features to the entire design concept through the viewpoint of an ordinary consumer. See page 79 of the Directions for further descriptions and examples in detail.

c. Three-way visual comparison test:



This approach is newly introduced in the Directions. It is an auxiliary method for determining similarity. Methodologically this approach analyzes the degree of similarity among the “patented design”, the “accused design”, and the “closest prior art” in the relevant art where the design patent belongs to. The three-way test applies when the accused design and the patented patent are not plainly similar, or it is unclear whether or not they are similar.

In sum, the accused design and the patented design are similar if the degree of similarity between patented design and the accused design is higher than that between patented design and the closest prior art, and if the similarity is also higher than that between the accused design and the closest prior art. See page 80-81 of the Directions for further descriptions and examples in detail.

**7) Infringement Determination for New Types of Designs**

a. Partial Design

Whether the articles are similar depend on the articles the design applied on or its overall usage, the corresponding scope of the accused article and the design patent. The conclusion will be the integrative comparison of identity or similarity for the “claimed portions” and the “unclaimed portions.”

The table below explains how the determination will be made<sup>1</sup>: See page 87-83 for more description in detail.

b. Graphic Design

Identity or similarity of appearance shall firstly be dependent on the “claimed portions” of the drawing (often the scope presented in the figures). Also, by considering the “unclaimed portions” to confirm the interrelation between the environment and the location, size, and distribution of the “claimed portions,” one therefore may further compare the corresponding scope of the accused design and reach a conclusion. See page 83-92 for more description in detail.

c. Design as a set

The appearance of the entire set of articles disclosed by the patent drawings is the criterion for determining identity or similarity. What is to be compared is the integrative visual image of the patented design and the corresponding scope of the accused design. See page 92-95 for more description in detail.

d. Derivative Design

For derivative designs, abovementioned techniques shall apply and the parent design may serve as a reference. See page 95-96 for more description in detail.

1

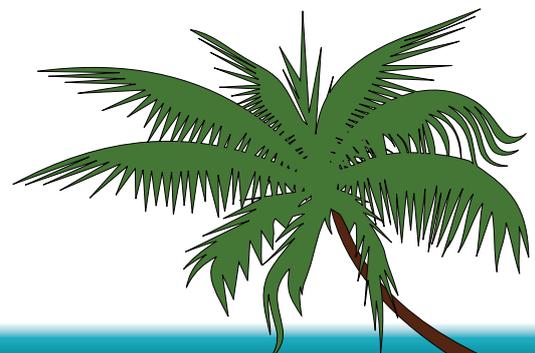
Comparing the “claimed portions” with the corresponding scope of the accused article	+	Comparing the interrelation between location, size, and distribution of the “unclaimed portions” with the corresponding scope of the accused infringing article	➔	Determination of similarity or identity
Identical	+	Identical or substantially identical	➔	Identical in appearances
Identical or similar	+	Difference exists between the two designs and their interrelation with their respective environment situated	➔	(essentially) Similar in appearances
Identical or similar	+	Despite difference exists as to the interrelation between the designs and their respective environment situated, the difference is not a common design approach used in the related filed of the article.	➔	Not identical nor similar in appearance
Not identical nor similar	+	N/A	➔	Not identical nor similar in appearance

## 8) Defense

Available defenses can be prosecution history estoppel or prior art defense. In the former case, by demonstrating with relevant evidence that the scope of similarity was ever restricted, denounced, or precluded by the applicant/patentee during the course of patent prosecution and enforcement, the alleged infringer can defend against the infringement claim. In the latter situation, on the other hand, if evidence indicates that the accused design is similar or identical to prior art, no infringement will be found. See page 97-98 for more description in detail.

## 3. CONCLUSION

The Directions are substantially modified and renamed as an effort to stay aligned with amendments to the Patent Act, as a reference to the court and both litigating parties. The Directions includes many examples to illustrate patent scope interpretation and infringement determination. For the reader's interest, please refer to respective page number noted at each paragraph to review those examples.



## Draft Amendment to Border Control Measures for Trademark Enforcement

**The** Customs Administration released the first draft of amendment to the “Regulations Governing Customs Measures in Protecting the Rights and Interests of Trademark (Measures)” in June 2016. The Administration has been calling the general public for a review of the draft and for advice regarding the draft amendment. The policy of amended Measures is aimed at relaxing the right holders’ burden to submit various kinds of information to Customs, fostering electronic government procedures, and simplifying the administrative requirements. Several specific aspects are as follows:

1.The system of trademark records at Customs was abolished after the Measures were adopted. However, the Measures have not expressly prescribed how the trademark holders should notify Customs in cases of likelihood of trademark infringement. The draft amendment has specified that a notice may be filed with Customs so that protective measures may be executed.

Customs is entitled to, and has the discretion to, initiate detention of imported or exported infringing goods under the Article 75 of the Trademark Act, without being restricted to only specific scenarios. The draft amendment deletes the four types of scenarios in the current Measures under which the Customs shall take actions ex officio or by notice, which has been criticized as putting undue burden on trademark right holders.

2.The draft amendment relaxes the burden of proof born by the right holders when reporting infringement to Customs. The current Measures require significant details relating to the suspected goods from the right holders, including submission of genuine and fake products, and a comparison chart thereof, the name of the importing company, date of import/export, flight or voyage number, etc. According to current practice, Customs would also require that the goods to be monitored and enforced should be within the same or similar classification of goods with the registered trademark. In reality such requirements have caused problems because trademark infringement may not merely occur in similar classifications of goods. The provisions relating to these burdensome requirements have therefore been deleted from the draft amendment.

3.Notices or complaints made by a trademark holder to Customs according to the Measures can be sent by either paper or electronic means.

4.Pursuant to the Trademark Act, a recorded exclusive licensee is entitled to proprietary rights as a trademark holder within his scope of license. Thus, a recorded exclusive licensee may exercise rights in the name of itself under the Measures.

5.For an international trademark right holder who has no domicile or business establishment within the territory of Taiwan (R.O.C.), he/she shall designate an agent to act on behalf of himself/herself.

6. The customs protection period spans from the granting date to the expiration of the trademark term. Extension is available depending on and corresponding to an adjusted trademark term. The draft amendment abolishes the one-year protection term and annual renewal requirement in the current Measures in an effort to reduce administrative work and to release the burden from the trademark right holders.

7. Customs may terminate protection measures with its own discretion in circumstances such as, when foreign right terminates the representing power of attorney, or if Customs is not able to contact the right holders or its attorneys.

8. Notifications from the Customs sent to the trademark holder or importers/exporters may be made in/by

verbal, written, telephone, emails, or facsimiles. Customs may also provide photographs of the suspected goods in order to facilitate right holders decision of whether or not they should verify their goods at Customs.

9. Customs may proceed to lift detention under some circumstances including failure to contact trademark holder, failure to present infringement evidence, etc.

We are glad to see that the draft amendment relax the administrative requirements and release these burdens from the right holders and their attorneys. As Customs Administration's first draft for public review, the Measures may invite some modification proposals as expected. We will keep close watch on any further developments.



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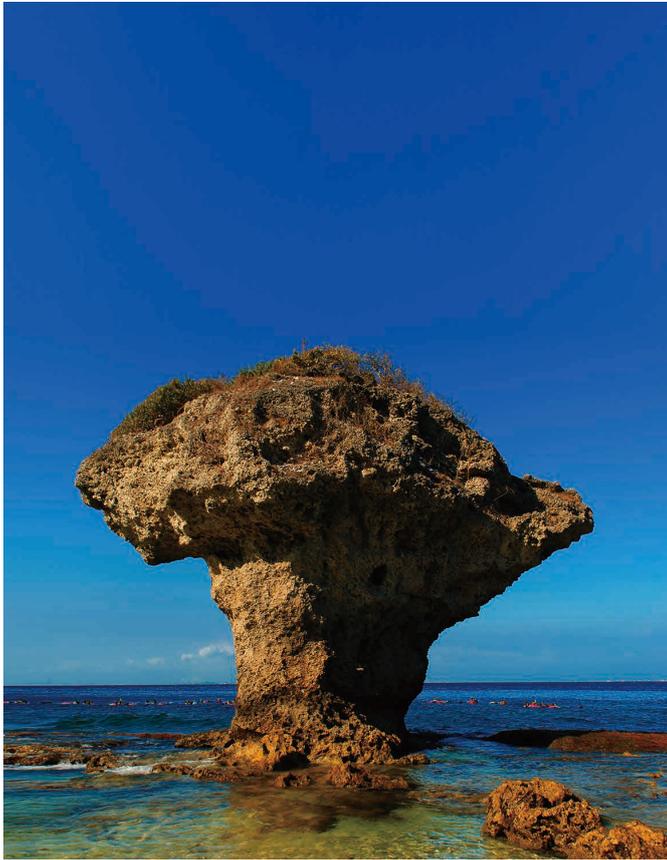
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