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**Greater China IP Experts**

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## Recent TIPO News Regarding Patents

In March, the Taiwan Intellectual Property Office (TIPO) announced in several news releases about the updates covering TW-US MOU, initiative on interview improvement, and a new edition of the examination quality assurance program. A summary of each release is as follows.

### *Taiwan and the US signing MOU to Reinforcing Cooperation on IP Enforcement*

Given the swift development of emerging internet technology, IPR-related offences have become trans-territorial in nature, and have posed as a challenge in the enforcement of IP rights for an individual country. In February 2017, Taiwan and the US signed a MOU in Washington D.C., intending to allow the judicial prosecution, criminal investigation, police department, and customs service units in Taiwan and the US to share experiences, skills, and information regarding IPR law violations and trade-related fraud, and to coordinate in investigations and enforcement against such offences. The complete copy of the MOU can be found at <https://www.tipo.gov.tw/public/Attachment/73221472387.pdf>.

### *New Interview Improvement Measures to be Implemented as a Pilot Program*

TIPO will soon launch a short-term pilot program effective from April to June 2017 with respect to new interview procedures for patent prosecution matters and patent invalidation actions. The new procedures mainly require the petitioner to prepare a Request Form summarizing issues to be discussed in the interview as petitioned and stating the necessity of the interview. Upon granting the petition for interview, TIPO will notify the petitioner and party/parties involved by a notification identifying the version of claims and specifications under examination and the issues to be discussed in the scheduled interview, in hope for enhancement of better communication between the examiners and the interview attendees. Attendees may bring electronic devices to the interview to take notes on the formatted Interview Summary Form.

Feedback and public comment on this short-term pilot program will serve as a reference to TIPO in formulating Oral Hearing proceedings that may be implemented to inter parte invalidation proceedings in the future.

### *Patent Examination Quality Assurance 2.0*

Since TIPO has reduced the pendency from entry of examination to allowance to less than 20 months, it has adjusted focus to improving examination quality by establishing a “Patent Examination Quality Assurance Task Force” aimed at studying the work product review measures concurrently adopted by various patent jurisdictions. Based on the studies, the Task Force shall subsequently formulate the “Operational Directions for Patent Examination Quality Assurance” that is reliably tailored to the TIPO’s implementation. In the meantime, the TIPO will continue to hold training sessions to ensure consistent examination standards are in practice.

### *Grace Period Provisions in Patent Act and Examination Guidelines Amended*

According to the revised Patent Act, which comes into force on May 1st, the term of grace period for exceptionally excluding novelty or inventiveness loss due to disclosure is to be extended from six (6) months to twelve (12) months for invention and utility model patent applications and to remain at six (6) months for design patent applications. The corresponding amended paragraphs in the Guidelines for Patent Examination are expected to become effective on July, 2017.

# Taiwan to Revise the Patent Act and Examination Guidelines

Since the beginning of 2017, TIPO had been releasing several drafted as well as finalized Amendments to specific chapters in the Guidelines for Patent Examination (GPE). At the end of last year, Taiwan's Legislative Yuan passed the bill of Patent Act Amendment which renewed provisions concerning grace period for novelty and inventiveness as well. The focus of the Amendments are outlined as follows:

## *Exception to Loss of Novelty and Inventive Step (Grace Period)*

According to the revised Patent Act, which comes into force on May 1st, the term of grace period for exceptionally excluding novelty or inventiveness loss due to disclosure is to be extended from six (6) months to twelve (12) months for invention and utility model patent applications and to remain at six (6) months for design patent applications.

Furthermore, an exhaustive enumeration of disclosing instances in the pre-amendment statute has failed to cater to applicants' demand. Comprehensive and adequate coverage of excepted disclosures was in urgency due to the diversification of how a technical or research result is to be revealed. Ever since May, facts of disclosures eligible for grace period will include both those desired by or against the will of an applicant.

However, this does not suggest that the grace period operates similarly as priority right. A priority right puts forward the effective filing date to create a period of absolute immunity whereas the grace period only exceptionally precludes a single fact of disclosure made by the applicant, its assignor, employee/ employer, or a third person who becomes aware of invention from the applicant such as a commissioned, entrusted, instructed, contract-breaching, illegally

coercing, fraudulent persons, or those persons with the intent of theft. Grace period does not immunize a patent application's novelty or inventiveness from an independent invention or creation, made by an irrelevant individual, exposed earlier than its filing date or priority date, if any.

As for formality, an applicant no longer needs to explicitly make a statement on the patent application form upon filing. The applicant bears the burden of proof when the Office does not find the given case eligible for the grace period benefit.

On another note, the applicant is advised to note carefully that a "first-day" rule is presumed to a disclosure whose actual disclosing date is unable to be identified. For example, when an academic dissertation covering the technology applied for patent is printed "July 2017" as the only temporal information of publication. Without more evidence, the Office will presume July 1st of 2017 being the publication date. To rebut an unfavorable presumption, the applicant has the duty to prove it to the otherwise.

## *Post-Grant Amendment*

Post-grant amendment to a patent shall be permitted to only (1) deletion of claim(s); (2) narrowing down of claim(s) scope; (3) correction of obvious or translational errors; and (4) clarification of ambiguous statement(s).<sup>1</sup> Nevertheless, "a post-grant amendment shall not substantially broaden or alter the scope of the claim(s) as published."<sup>2</sup> Some criteria have provided in the GPE to exemplify which amendments are to be deemed a case of broadening or alteration. Beyond the remaining criteria for determining alteration, i.e. substitution of technical feature(s) by antonyms; redefinition of technical features; and apparent change of the subject

<sup>1</sup> Patent Act §67(1)

<sup>2</sup> Patent Act §67(4)



matter of claim(s), the “failure of newly-added technical feature(s) to achieve invention’s purpose” is introduced and emphasized due to the revision. Invention’s purpose shall be construed to the entirety of the invention recited in each claim, in view of the problem to be solved, the proposed technical means, and the technical effect contrasting the prior art. If an amended claim “attenuates or fails to achieve” the invention’s purpose of pre-amendment claims, the Office determines such as an alteration. In other words, the amendment shall be permitted when the newly-added technical feature successfully enables an amended claim to meet invention’s purpose.

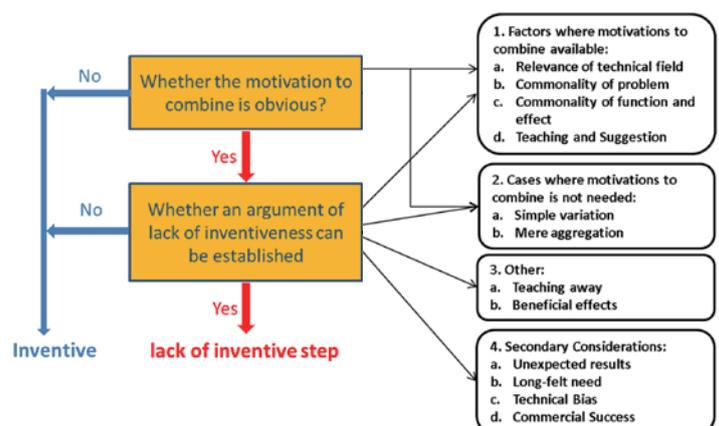
In addition, according to the revision, converting a claim referenced to another claim (e.g. an apparatus for implementing the process of claim 1) to an independent claim is a type of “clarification of ambiguous statement” in a granted patent. Thus such conversion shall be permitted.

### Inventiveness

In Taiwan, a modified Graham Test is adopted to examine inventiveness by the following steps:

1. Determining the scope of Scope of the claim
2. Determining the content of prior art
3. Ascertaining the technical level of PHOSITA
4. Resolving the difference between invention and prior art
5. Considering whether the difference is easy to be bridged over

In the 4th step, the amended GPE requires the examiner to cite a “primary reference,” which is a single reference in the same field of the invention or solving substantially the same problem, as the basis. This is so required to avoid any examiner’s hindsight due to relevance between prior art and the invention. Next, in the final step, the amended GPE requires the examiner to firstly consider if the combination is obvious for either there existing a motivation to combine the primary and other auxiliary references or no motivation being necessary. If affirmative, the examiner shall subsequently consider if an argument of lack of inventiveness can be established in view of all factors integratively. The final step is illustrated in more detailed as the following.



Besides, the applicant may be mindful that a PHOSITA can actually be a group of fictitious persons if more appropriate, such as in a case of collaborative research which involves an interdisciplinary technical team.

### Invalidation Proceedings

During invalidation proceeding the patentee may initiate post-grant amendment (“PGA”) as a defense. Whether the PGA will be allowable relies on the latest granted and published version of patent scope. If the latest version is defective it is not an admissible basis examining whether the PGA substantially broadens or alters, and the examiner shall look into preceding version(s) of no defects. However, in the absence of such a previous and perfect version, the PGA would not be allowed and the patentee cannot be granted the benefit to cure or defend the patent at issue.

Now after the revision, as long as a sufficient support for PGA can be found in the pre-grant patent application including the specification, it can exceptionally serve as the examination basis for PGA. The patentee will then be given a chance to defend the patent that has been challenged.

Beside, during an invalidation proceeding in the case where patentee’s PGA goes beyond the granted scope, procedurally the counter party shall not add such new-matter introduction itself as another ground of patent invalidation. Instead, strategically the counter party may only pinpoint the fact of new-matter introduction to the Office seeking a rejection to the PGA.

### Date of Effectiveness

The effective dates of each amended chapter of the GPE and the Patent Act are sorted out in below table.

PATENT ACT		Date of Effectiveness
Grace Period		2017/05/01
GUIDELINES FOR PATENT EXAMINATION		Date of Effectiveness
Post-grant Amendment		2017/01/01
Invalidation proceedings		2017/01/01
Grace Period		2017/07/01 (scheduled)
Inventive Step		2017/07/01 (scheduled)



## Rimowa Successfully Compensated from Unjust Enrichment Claim

The Taiwan Intellectual Property Court rendered a judgement at the end of 2016, 2015-CivilPatentLitigation-No.66, signaling Rimowa's back-to-back triumph in protecting their IP rights in Taiwan. In the judgement the infringers were ordered to stop using, making and offering for sale a luggage product that exploiting the patent at issue, and infringers should return unjustifiable gains that may be attributable to the infringing luggage articles back to Rimowa.

Sony Taiwan Ltd. (hereinafter "Sony") gave away a piece of travel luggage free of charge for each of a particular LCDTV set sold as part of a sales event. The luggage implemented a flexible divider in its suitcase compartment, for which Rimowa GmbH possesses a patent right. Sony has an independent supply chain for procurement of complimentary gifts. SONY placed orders of luggage products at supplier Jump Media ("Jump"), which then made orders from next supplier Leader Premium Service ("Leader"). Finally Leader imported ordered luggage products from China. The luggage products at issue all bore a "SONY" wordmark.

Rimowa filed a lawsuit at the IP Court against Sony, Jump, and Leader for a count of patent infringement. Seeking remedy, Rimowa claimed for injunctions, monetary damages, and compensation due to the defendants' unjust enrichment.

Pursuant to Article 58(1)(2) of the Patent Act, "any person shall not make, offer for sale, sell, use, or import patented products without permission."

For their defense, Sony first asserted that it did not exploit the patent in light of giving away for free is not selling under the definition of Article 58 of the Patent Act. The company did not sell the patented product, as the product was only gifted to a consumer on the condition that the consumer bought a Sony TV. As it was merely a sales campaign it did not increase the TV's price. In other words, giving away a luggage article for free does not account for an exploitation of patent.

The Court began by explaining that although Sony's gifting a luggage article to a TV consumer was not selling the infringing article directly, it was not absolutely exempted from considerations because whether the gift was to be transferred depends solely on consumers' purchase of aimed product on sale. The actual cost of the gift was included in the on-sale product's price and thus the gift essentially contributed to creating more commercial interests. Therefore the business model to sell a TV set and getting a luggage article together could be considered as an "offer for sale" or "sale" defined in the Patent Act. Sony was therefore infringing upon Rimowa's patent.

The second question posed before the Court was whether Sony was liable for infringement damages, and if so, what was the proper amount. Mens rea is a prerequisite to award damages. The Patent Act requires that the patentee shall demonstrate the accused infringer acted either intentionally or with negligence in order to be awarded damages.





A duty-of-care test is used specifically to evaluate negligence: a misfeasor is negligently liable if he fails to exercise due care as a good administrator. In more detail, several factors are taken into account by the Court, such as the parties' type of business, operational scale, capability of performing the duty of care and costs for preventing the harm, as well as the patentee's preventive measures adopted.

The Court concurring Sony's argument that, although Sony is a multinational leading giant in household appliance, consumer electronics, entertainment technology, etc. having a maturely-developed IP portfolio, it does not engage in any manufacture, wholesale or retail of luggage products. The Court, being somewhat lenient, further indicated that Sony is not Rimowa's competitor. One cannot fairly live up to an expectation that Sony possesses the same professional discernibility or judging capability as other luggage makers to identify relevant patent technology in the same field. Sony was thus deemed to have a "lower level of duty of care" according to the Court. On the other hand, the Court believed Rimowa should also take necessary steps to prevent patent infringement, and should bear much of the burden of proof in demonstrating the infringer's negligence in the absence of patent marking. To sum up, the Court deemed it not persuasive to hold Sony liable for damages.

As for unjust enrichment claim, the Court set forth Article 179 of the Civil Code that "in insufficiency of legal basis one who gains interest while other is

harmed shall return said interest [...]."Sony acquired infringing luggage articles from other supplier but not paid as much as it should pay to Rimowa's patented products. Sony gained interest by saving the difference of payment. By gifting the infringing products to consumers, Rimowa was harmed as a result of reducing Rimowa's prospective proceeds from implementing the patent. Therefore a causative relationship exists linking Sony's gained interest with Rimowa's harm. Rimowa's unjust enrichment claim prevailed.

To calculate Sony's returnable enrichment, the Court ruled that the commercial contribution of the patent should be the difference between the price of Rimowa's patented product and the price of Rimowa's pre-patented product. Dividing the contribution by the price of pre-patented product yields the contribution percentage of the patent. Specifically the Court arrived a formula as follows:

$$\begin{aligned} \text{Enrichment} &= \text{Unit cost of infringing product} * \\ &\text{Amount of distributed product} * \\ &\text{Contribution percentage of the patent.} \end{aligned}$$

It was so concluded that Sony should return about NTD 1,096,000 (approximately USD 36,400) to Rimowa.

For similar reasoning, Jump and Leader's supply constitutes infringement of patent and as well unjust enrichment so the Court ordered a return of about NTD 99,000 (approx. USD 3,288) and NTD 95,000 (approx. USD 3,168) respectively.

Defendants did not appeal the decision. The case is so affirmed.

### Highlights

As the sole barrister representing Rimowa in the case, Tsai, Lee & Chen would like to share with any interested reader some key topics.

Although the defendant's mens rea is required for the patentee to claim damages based on the tort theory under Article 96 (b) of the Patent Act, it does not mean the defendant's mens rea is the prerequisite for the patentee to obtain monetary compensation. In this case, Rimowa successfully obtained compensation based on Article 179 of the Civil Code (unjust enrichment), which does not require the defendant's mens rea. This is one of the leading cases confirming that the patentee may also claim monetary compensation based on unjust enrichment in the Civil Code.

Rimowa successfully persuaded the Court to confirm that giving away patented gifts is also a type of infringing act under the Patent Act. A free gift attached to a main product to be sold is not free. It has its cost and contributes added value to the product.

Last but not the least, patent marking is demonstrated again to be substantially valuable in presuming an infringer's willfulness, and the existence of which will in turn matter heavily in damage awards. Patent number being shown on the websites, specifications, user's manuals, labels, tags, etc. will help facilitate a case toward the patentee's advantage in potential patent infringement litigation.



## Taiwan to Amend Trade Secrets Act



**The** Trade Secret Act was first promulgated in 1996 and since then has been amended once in 2013. Throughout the years it has been found that several provisions have become rather unfitting to swiftly-changing economic development and social demands. Therefore, the Taiwan IP Office, in aide of the legal community and related authorities, proposed and announced a drafted Amendment to the Trade Secret Act (“Draft”). The focuses of the Draft are set forth as follows.

### *Trade Secrets Infringement Indictable Only upon Complaint*

According to the Draft, any intended use of misappropriated trade secrets beyond the territory of Taiwan will only be prosecuted upon a complaint. Committing trade secrets misappropriation outside of this jurisdiction is an aggravated crime being publicly prosecuted under the current law. However, as the practice demonstrates, evidence collection and fact finding during investigation of a trade secret infringement case can be very difficult and time-consuming. It becomes even harder when the stolen secret is to be used overseas. If a victim is able to withdraw the complaint against offenders who cooperate with the investigation, it may also provide an incentive for some suspects to reveal the truth and thus facilitates and advances the course of the criminal investigation.

### *Unrecognized Foreign Entity to Have a Standing Filing a Complaint*

Pursuant to a judicial interpretation, without being recognized by Taiwan’s Company Registry, a foreign entity organized and incorporated in accordance with pertinent laws of a foreign country is ineligible to bring a suit to a court. If the access to judicial remedies in cases of trade secret infringement is absent, it could discourage international trade and foreign investment. Therefore, in reference to relevant provisions in other intellectual property statutes, unrecognized foreign entities will hopefully have a standing before the court in respect of the matters regulated under the Trade Secrets Act.

### *Limited Accessibility of Secret-related Materials during Criminal Investigation*

Secrecy Order is available upon request during the court proceedings and therefore file warppers are either denied or limited access to other party. However, it was rather ambiguous and not specified in the law about the accessibility to evidentiary materials during the phase of prosecutor’s criminal investigation. It is the plaintiff’s risk that more trade secrets would be disclosed if he or she attempts to prove the secrecy being misappropriated but the evidentiary materials are accessible to the opponents during prosecution stage. To reduce such a risk, when

the contents of an investigation involves any trade secrets the public prosecutor may, upon request or discretion, order to deny or limit the accessibility to review, duplication, photographing of the evidentiary materials.

#### *Reciprocal Treatment for Foreign Trade Secrets*

Under the current law, reciprocal protection on a foreigner's trade secret excludes cases where the foreigner's country of origin does not have relevant bilateral treaty or agreement with Taiwan or refuses to grant trade secret protection to Taiwan nationals. But the law does not encompass circumstances other than bilateral treaties between countries or expressive denial by a foreign country. According to the draft, reciprocity rule is further clarified that protection will be excluded if the foreigner's country of origin

- a. is not a signatory to a relevant international treaty that Taiwan also joins;
- b. does not enter into a relevant bilateral treaty or agreement with Taiwan;
- c. does not enter into a relevant bilateral agreement with Taiwanese organization/institute which later approved by Taiwanese authority; or
- d. de facto denies protection for Taiwan nationals.

#### *Postscript*

This is the first draft for the proposed amendment. The Office may, and is likely, to revise the draft after receiving public comment.



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