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Taiwan Intellectual Property Special

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Taiwan-Canada PPH MOTTAINAI Program Launches in February

The Patent Prosecution Highway (PPH) MOTTAINAI program between the Taiwan Intellectual Property Office (TIPO) and the Canadian Intellectual Property Office (CIPO) was signed on January 31, 2018 and commenced on the next day, February 1, 2018. As the sixth bilateral agreement on PPH program, this is considered another achievement by TIPO after it forged PPH cooperation with its counterparts in the US, Japan, Spain, South Korea, and Poland.

The PPH cooperation between TIPO and CIPO will accelerate the examination process for invention patent applications in both jurisdictions, enabling applicants to be granted of patents in a faster manner and to benefit patentees in forming patent strategies internationally, so as to facilitate business and innovation development.

Particularly noted, the TIPO-CIPO PPH program is the "MOTTAINAI" version. When an applicant files for invention patent applications in the two countries, regardless in which one the same case filed first, upon obtaining an earlier favorable examination result from either office the applicant will be eligible for the PPH at the other office. For example, in the event that a Taiwanese applicant files for an invention patent firstly with the TIPO and later the CIPO, if a favorable decision is firstly produced by the CIPO, the applicant will then be eligible to request for the PPH at TIPO; and vice versa. The cooperation program is expected to speed up patent examination process and enable a more efficient parallel patent prosecution.

Source:

https://www.tipo.gov.tw/ct.asp?xItem=656360&ctNode=7127&mp=1

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Court Awards USD 50 Million Damages Highest Ever in Trade Secret Infringement

In December 2017, the Taiwan Intellectual Property Court rendered the judgment 2013-CivilTradeSecretLitigation-No. 6 as the 1st instance ruling that an optical lens manufacturer Ability Opto-Electronics Technology ("AOET") along with other six (6) accused individuals shall jointly indemnify Largan Precision ("Largan") for more than NTD 1.52 billion (approximately equivalent of USD 50 million) resulting from trade secret infringement.

AOET and Largan are both publicly traded companies listed on the Taiwan Stock Exchange (TWSE). On the day following the release of the judgement AOET's share price fell precipitously. AOET was forced to halt its plan of issuing new common stock for cash and thus refunded all subscription payments to shareholders unconditionally.

Largan complained that four of its former engineers joined AOET within a short period of time one after another from May to June 2011. They misappropriated from Largan seven (7) major projects containing confidential technology, which improved AOET's research capacity and successfully led to the maturation of automation process for lens manufacture. Moreover, AOET further filed utility model patent applications for the allegedly misappropriated technologies stolen by the former employees. The Taiwan Intellectual Property Office later granted patents Nos. M438320 for the dispensing needle head structure and M438469 for the light-shielding sheet feeding mechanism, respectively. The grant of these patents thus exposed Largan's confidential technology to the public domain, an action that caused severe harm to Largan's trade secrets and proprietary copyrights.

Largan filed for permanent injunction, a declaration of genuine ownership for the two patents, and a damage claim in the amount of NTD 1.52 billion (equivalence to about USD 51 million) against AEOT and its representative, former general manager, and the four former employees.

The court has attempted to bring the two parties to a settlement after making an intermediate judgment, but this attempt eventually failed. A final judgment was then rendered to support Largan's claims for permanent injunction and ownerships over almost all asserted confidential technologies.

Notably, the court in assessing Largan's damage claim, based its ruling significantly on an equitable rationale. Due to the confidential nature of a trade secret, a trade secret will be deprived of exclusiveness upon being exposed to the public. Any subsequent dissemination or utilization of the same will be no longer of the original owner's control.

Court Awards USD 50 Million Damages Highest Ever in Trade Secret Infringement

That is, the owner's foregoing investments are all in vein with nothing in return. The infringing party who unlawfully misappropriated the secrets received profits out of the owner's production of efforts at little or no cost to the infringing party. There is clear causation between the damages incurred by an owner and the gain reaped by the infringing party.

The costs of the research and development incurred by Largan over the years amount to more than NTD 0.6 billion. In view of the fact that Largan holds a market share and profit margin far larger than that of its competitors- including that of the defendant company- the value of Largan's trade secret, should it have not been infringed upon by AOET, would have generated Largan enough revenue so as to exceed the cost of its investment in research and development. Largan could have sought for a punitive damage in triple of NTD 0.6 billion. Since the claimed amount is NTD 1.52 billion which does not exceed the punitive damages, the court supported the amount in full.

According to public record, AOET's total equity is roughly NTD 1.03 billion. The indemnity of NTD 1.52 billion that has been awarded to Largen is equivalent to 1.5 times AOET's share capital. AOET was adamant that it will seek an overturn in the appellate level. This case has made a huge impact on Taiwan's precision optics industry as well as the intellectual property community. On the other hand, the chairperson of Largan informed the press that it will donate the damages awarded to it to fund the promotion of intellectual property education as well as related programs.

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Pharmaceutical Bill Passed for Patent Linkage and Data Exclusivity on Novel Indications[1]

1 https://www.fda.gov.tw/tc/site.aspx?sid=9477

At the end of 2017, Taiwan's Legislative Yuan passed a bill amending the Pharmaceutical Act. These amendments establish a patent linkage system and create data exclusivity protection for an old drug's new indications.

The government is investing more effort in the research and development of biomedical science and technology. To this end, this bill was passed as a declaration as a part of a move to boost Taiwan's IP protection for medical products forward, so as to be in line with the advanced nations.

Drug Patent-Approval Linkage and Pharmaceutical's Patent Database

The bill introduces a new chapter for patent linkage to the Pharmaceutical Act, systematically connecting the non-enforceability of new drug's patent(s) and the market approval of a competing generic copy.

As a measure to implement patent linkage, the law affords the patented new drug company an obligation to report the patent(s) of the new drug. The patentee shall list associated information about new drug's patent(s) for any of substance, composition or formulation, or medicinal use within 45 days from receiving Taiwan Food and Drug Administration's (hereinafter referred to as "TFDA") approval on new drug's marketing (Article 48-3). When needed, the patentee may make a request for an update of the patent information so as to maintain the integrity and authenticity of patent information within 45 days of the occurrence of any incidents such as patent term extension, post-grant amendment of claim(s), revocation, extinguishment of right (Article 48-6). Alternatively, the patentee shall provide updates to or explanations for patent information within 45 days in response to a notice from TFDA which receives written complaint(s) from any third party who identifies errors on the published information, or any inconsistency from the drug approved (Article 48-7).

The generic competitor bears a duty to advise the TFDA of new drug's patent information when filing for an application of said generic copy's market approval. A patent infringement dispute between the TFDA-approved generic and patented new drug can materially compromise patient accessibility to affordable medicinal alternatives. Therefore the bill imposes the generic drug applicant a duty to certify clearance of legal barriers from listed patents of the new drug upon its application for market approval (Article 48-9). The declaration should include any of the following:

1. No patent information listed for the new drug;
2. New drug's corresponding patent(s) expire;
3. The TFDA may approve the generic's market approval after the expiration date of the listed patent(s); and
4. The patent(s) are invalid or the generic is not infringing the patent(s).

Regarding a declaration of Item 4 of Article 48-9, the generic applicant shall notify the TFDA, the holder of the new drug approval, the listed patent owner(s) and the exclusive licensee within 20 days upon receipt of TFDA's notice of application completion. As a core of the system, there will be

Pharmaceutical Bill Passed for Patent Linkage and Data Exclusivity on Novel Indications

a stay of generic approval if the generic competitor challenges listed patents. Where the generic applicant declares that the listed patent(s) of new drugs are invalid or when no infringement occurs, the patentee or the exclusive licensee may, if available, opt to file for a patent infringement action within 45 days upon receipt of the notice of non-infringement or patent invalidity from the generic applicant. The TFDA will then place a stay of 12 months on generic's market approval unless the patentee fails to raise an action within 45 days or the conflict is otherwise settled (Article 48-13). It is worth noting that if the patentee raises a patent infringement action by asserting any patents not listed in the TFDA, it will not prevent the TFDA from issuing a market approval to the generic drug. (Article 48-13)

To create an economic incentive for stimulating pharmaceutical competition for the benefit of consumers, the first generic challenger who prevails in infringement action will be granted sales privilege for 12-months long, thus excluding other generic manufacturers from entering the market (Article 48-16).

Measures against Potential Pay-for-Delay Deals

Any parties of new drug patentee, generic applicant, or generic marketing approval holder who engaged in an agreement with respect to the drug's manufacture, sales, or term of marketing exclusivity shall report to the TFDA within 20 days. The TFDA holds discretion in forwarding the agreement to the Fair Trade Commission for further investigation should there be any unfair competition issues(Article 48-19).

Data Exclusivity on New Indications of Repurposed Existing Drugs

As an efficient measure extending the term for drug protection, the bill broadened data exclusivity to further include "indication" of an existing molecular entity. The Pharmaceutical Act added a new provision as Article 40-3, granting a three-year term to a pharmaceutical company for newly invented indications of an existing drug. Other applications for drug approval cannot cite data for the same indication within two (2) years from the approval of the addition or change of indications of the existing drug. The TFDA may issue other drug approvals citing the same data for the same indication only after three (3) years from the repurposed drug approval for new indication.

Furthermore, if the clinical trials for new indication are operated in Taiwan, the pharmaceutical company may enjoy an exclusivity term lasting a period of five (5) years. This extra period is provided as an economic incentive aimed at encouraging development of Taiwan's medicinal and clinical studies.

Oppositions Remaining Strong

The new bill has been accused of being part and parcel of partisan policy, thus inviting harsh criticism from some lobbying groups, especially those from the local drug industry. Arguably, patent linkage is expected to cater to the interests of international pharmaceutical giants as the Taiwanese companies are mostly profiting on generic drugs. Statistics released by the IP Court reveal that the winning rate

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for Taiwanese generic manufacturer has been 85% and more for the past 10 years. But that is the result of spending expensive costs in coping with frivolous actions initiated by patentees.Patent linkage is expected to bring more litigious challenges on generic competitors, which is translated as more financial cost to be borne. The National Health Insurance Program as well as the patients have allegedly been bearing great costs on patented drugs due to delayed entrance of generic copies.[2] As per the new bill, once the patentee files for an action, in due course, the TFDA shall place a 12-month stay in granting approval to generic drugs. The generic manufacturers insist that this is nothing less than a presumption of infringement in favor of the patentee, who is free from duty to make a request for the stay, to make necessary statements, or to pledge any collaterals or funds.[3]

The amendment to Pharmaceutical Act is regarded as a prominent effort negotiating for the accession to the former Trans-Pacific Partnership (TPP) and the conclusion of the Trade and Investment Framework Agreement (TIFA). Now the bill has been officially passed, but meanwhile, the TPP has moved to an awkward halt and has been renamed Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). The bargain is seemly become moot. Thus for sake of reducing foreseeable impacts on local industry, drug manufacturers are calling on the legislature to postpone the effectiveness of the amendment to at least a date after the implementation of TIFA or CPTPP should cancellation be not possible.

Counterpart System across the Taiwan Strait

In December 2017, the PRC General Office of the State Council released an administrative document titled “Opinions on Deepening the Reform of the Evaluation and Approval System and Inspiring Innovation of Drugs and Medical Devices,” which specifically ordered the implementation of patent linkage between the authoritative functions of the China Food and Drug Administration (CFDA) and the State Intellectual Property Office (SIPO), in addition to more policies regarding clinical trials administration, expedited examination on market approval applications, product administration cycles, etc.[4] An official press release is available at: http://big5.gov.cn/gate/big5/www.gov.cn/zhengce/2017-10/08/content_5230105.htm(Please refer to Paragraph 16.) Information in the foregoing web link is in Chinese language.

2 http://www.ibmi.org.tw/news_detail.php?REFDOCTYPID=&REFDOCID=0p1q6rdbguw00wqu

3 http://www.chinatimes.com/realtimenews/20180111002622-260410

4 http://med.sina.com/article_detail_103_2_37640.html

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Synnex Succeeds in A Trademark Invalidity Action Against China's OTT Video Tycoon

Established in Taiwan in 1988, Synnex Technology Int'l Corp. ("Synnex") is one of the largest distributors of electronics in the Asia-Pacific region. The geographical scope of its business has been reaching in more than 35 countries. In addition to the controlling position among distribution channels, Synnex launched its own brand name, "LEMEL" and registered the same for trademark as early as 1989 for personal computers and other electronic products.

Synnex was aware that the word mark "Leme" had been registered in Taiwan by Leshi Internet Information and Technology Corp., a Beijing-based conglomerate which provides over-the-top video services. "Leme" was registered for goods in at least Class 9, containing items such as smart phone or computer applications, and in services for Class 35, relating to advertisements, marketing, etc. Considering the overall exterior and phonetic resemblance of the "Leme" mark applied in the designated goods/services that heavily overlapped with those of "LEMEL," Synnex filed for an invalidation action before the Taiwan Intellectual Property Office ("TIPO") as per Articles 30(1)(10) and 30(1)(11) of the Trademark Act on the grounds that such similarity between the senior and junior marks would increase the likelihood of confusion in the market.

Degree of Fame of "LEMEL"

Articles 30(1)(11) of the Trademark Act read:

> "a trademark shall not be registered [if it is] identical with or similar to another person's well-known trademark or mark, and hence there exists a likelihood of confusion on the relevant public or a likelihood of dilution of the distinctiveness or reputation of the said well-known trademark or mark, unless the proprietor of the said well-known trademark or mark consents to the application"

Synnex submitted a good amount of evidence which sufficiently demonstrated that the "LEMEL" was popularly known by local consumers. In an ***ex parte*** review, TIPO found Synnex to be a sales agent for more than 270 brands of products covering a wide spectrum of technology, including information, telecommunication, consumer electronics and components. Overseas, the "LEMEL" series products have entered Chinese Mainland, Hong Kong, Australia, Japan, and Southeast Asia with trademark registrations. Thanks to LEMEL's success, Synnex was officially recognized as "Taiwan's Attractive Brand for Personal Computers" and "Ideal Distributor Brand." To keep its brand a fresh identity and to strengthen attachment between its brand and the new generation of consumers, LEMEL constantly gives itself exposure in various TV series, mobile games, pop music, etc.

In view of all the above efforts, TIPO determined the reputation and quality of goods/services represented by "LEMEL" have been widely known by relevant consumers in Taiwan. "LEMEL" is therefore recognized as a well-known trademark in the invalidation decision.

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Leme

- Junior mark, Leshi owned

LEMEL

- Senior mark, Synnex owned

Level of Similarity

At the next stage, TIPO analyzed the similarity between the two marks. Judging from their respective alphabetic compositions, they only differ in one letter and one polygon. The salient portions of each mark show a high degree of similarity and "LEMEL" has one more capital "L" than "Leme" does. Thus, a consumer of general experience would likely be confused as to the same or related source of a good/service such as shareholding, license, and franchise. The two marks are very similar to each other.

Strength of Distinctiveness and Sophistication of Consumers

The mark "LEMEL" is composed of letters which bear no particular meaning in the order that they are arrayed, nor does it either describe or suggest any factual characteristics about IT goods/services. Furthermore, as previously noted, the senior mark has acquired high distinctiveness through extensive use both geographically and temporally. In other words, the primary significance of the mark, "LEMEL", is that the public can successfully identify the source of product rather than merely the product itself.

Since "LEMEL" has generated a considerable amount popularity among relevant consumers, without rebutting evidence from the holder of the junior mark, TIPO exercised its discretion and deemed that the senior mark should be entitled to more protectable interest.

Diversity in Business Operation

Investigated through TIPO's searchable trademark database, it is obvious that Synnex has used "LEMEL" in an electronic product line for a significant period of time and has also obtained additional proprietary rights over derived trademarks related to "LEMEL." It is thus believed that Synnex has potential for expanding its use of the mark in other business sectors.

Conclusion

After going through a step-by-step analysis, TIPO ruled in favor of Synnex, confirming that Synnex has a real commercial interest in "LEMEL" and has a reasonable basis for its belief that it would be damaged by "Leme." "Leme" was thus ordered to be invalidated from registration at Classes 9 and 35.

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TIPO's Draft Amendments to the Patent Act Invites Comments from IP Community

The Taiwan Intellectual Property Office (hereinafter referred to as "TIPO") proposed a draft of Patent Act Amendment (hereinafter referred to as "Draft") as an effort seeking to harmonize the current patent institution with the dynamic international systems and to fortify examination procedures. The Draft was published in December of 2017 for public review and inputs, with following emphasis.

- Extending the 12-month window for claiming international priority to 14 months (Article 28)
- Relaxing rules for divisional application after grant (Articles 34, 107, and 142)
- Reinstatement of request for substantive examination in lapse of three years (Article 38)
- Fair use of published patent application or granted patent (Article 47)
- Extending term of design patent from 12 years to 15 years (Article 135)
- Open licensing stipulation (Article 63-1)
- Examination of post-grant amendment for utility models (Article 118)
- Late submission of evidence and grounds and the limitations on post-grant amendment during a pending invalidation action (Article 73, 74, and 77)

Digests on Selected Emphasis of the Draft

A divisional application can be filed during examination pendency of an application or 30 days from the service of allowance decision issued at the first examination stage. Now, to offer the applicant more time in considering divisional filing, after service of allowance decision issued from either first examination or re-examination stage the applicant would have three (3) months to file for a divisional application. The 3-month extended window for filing a divisional is also comparable with the time frame for payment of issue fee from service of allowance. The applicant may consider both at the same time and choose necessary step.

What is particularly pinpointed in the Draft is that a divisional filing made during the 3-month window shall exclude the scope that is allowed. In fact the same rule has been stipulated now in the Enforcement Rule of Patent Act but is only proposed to be elevated to the Patent Act.

Some practitioners propose additional rules, among others, to allow dividing a granted patent into plural sub-patents while retaining the entire protectable scope in combination intact. This is so proposed in light that the patentee may gain advantage in a likely licensing negotiation by having "more" patent certificates on hand. Meanwhile the TIPO is also financially benefited from receiving more maintenance fees.

With respect to the request for substantive examination, the Draft is to allow additional two (2) months upon lapse of three (3) years for an unintentional applicant to reinstate the request by paying more fees.

On the other hand, the Draft aims to allow a more liberal use of granted patents and the publication of invention patent applications. Reproduction, public transmittance, or translation of a published granted patent and its associated prosecution history will be permitted and considered as fair use. The same kinds of use shall apply to published patent application for inventions.

Open licensing of a patent is independently provided in a brand new provision. As per Article 63-1, in reference to German and Britain legislature, a patentee may declare to the TIPO in writing to license anyone undiscriminatingly in return of a reasonable royalty fee. Note that an open license is voluntary at the discretion of a patentee. The patentee may later withdraw an open license declaration if there is no licensee(s) or a consent from active licensee(s).

The gist of the open license clause is to exempt an allegedly infringing party who has agreed to the terms of open licensing to practice the patent. Some practitioners however stay pessimistic on the efficacy of the same. Given that International entities and domestic companies in larger scale hold for a significant share of Taiwanese patents in whole, they are proactively safeguarding their intellectual properties by securing patent rights as defensive assets in their business operation. Under such circumstance the majority of Taiwanese patent holders are not likely to license. While some practitioners presume that the rest patents owned by smaller entity are less economically attractive, the incentive to license for practice becomes rather immature.

Conclusion

The Draft remains debatable among the academics, practitioners, industries, etc. More adds and drops can be expected. TIPO would welcome inputs and ideas to revise the Draft for the common benefits of all sectors in the IP community.

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