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Inside this issue :

- First Constitutional Interpretation on IP Matter :  
Current Law on Recusal of Technical Examination Officers Ruled Constitutional
- No Evidence of Sales Not Absolutely Suggesting Absence of Injury
- RIMOWA Trade Dress Affirmed by Appellate Court in Taiwan





# **TSAI, LEE & CHEN**

Patent Attorneys & Attorneys at Law



*Idea*

# First Constitutional Interpretation on IP Matter : Current Law on Recusal of Technical Examination Officers Ruled Constitutional

**Taiwan** Supreme Court Grand Justices ruled for the first time on a constitutional issue involving intellectual property. The Grand Justices' interpretation was issued in February as Judicial Yuan Interpretation No. 761 (hereinafter referred to as "Interpretation"). In the Interpretation, the Grand Justices declared that the existing law governing the recusal of Technical Examination Officers ("TEO") is constitutional.

## *Facts and Background*

The position of TEO was created in 2008 pursuant to the legislation of the IP Case Adjudication Act ("Act") as a part of the legislation which established the "Taiwan Intellectual Property Court ("IP Court").<sup>1</sup> A TEO is a senior patent examiner from the Intellectual Property Office ("TIPO") who is commissioned to work at the IP Court. The TEO is responsible for the investigation of technology relevant to a given case, the collection of information, analysis and the providing of advisory opinions on technical issues under the direction of the presiding judges. When necessary, the TEO may ask questions or explain to either party during a court hearing, state opinions to the judge, ask questions directly to a witness or an expert witness, assist in investigation during evidence perseverance, and assist in enforcement proceeding based on professional knowledge of a given case.

TEO's recusal is statutorily written in Article 5 of the Act. Article 5 entails that according to the nature of the pending action, the recusal challenge of a TEO shall be governed mutatis mutandis by the rules of recusal challenge of a judge provided in the Code of Civil Procedure, the Code of Criminal Procedure, and the Code of Administrative Litigation Procedure, as

the case may be. Furthermore, Article 34(2) of the Act provides that a judge who had presided over a civil or criminal action regarding Intellectual Property may sit in an Intellectual Property administrative trial relevant to the case over which said judge had presided. The Act excludes the application of the law for judge's recusal as stipulated in the Code of Administrative Litigation Proceedings, where the same judge must excuse him or herself from an administrative trial if he or she was ever involved in the relevant civil or criminal trial. However, the Act does not stipulate whether or not Article 34(2) applies to a TEO as well.

The petitioner for the Interpretation is ATEN International ("Petitioner"), an electronic solution service provider. The Petitioner in the second instance of a patent infringement civil suit had felt the TEO opinion regarding validity of the patent at issue to be disadvantageous. Subsequently, the same patent in dispute was subject to an invalidation action raised by a third party and the TIPO declared the patent invalid as a result. Unsatisfied with TIPO's decision, the Petitioner resorted to administrative litigation. The IP court in that administrative litigation assigned the very same TEO who had involved in the previous civil case for the same patent in dispute to assist in the adjudication of the Petitioner's case. Anticipating another unfavorable advisory opinion, the Petitioner challenged the appointment of the TEO and filed a motion for TEO recusal. The Petitioner's motion was denied, whereupon the Petitioner appealed to the Supreme Administrative Court.

The Supreme Administrative Court opined that the TEO's technical analysis and opinions do not have binding effect on a judge who tries the case based on legal certainty. Secondly, Article 34(2) of

<sup>1</sup> [http://ipc.judicial.gov.tw/ipr\\_internet/index.php?option=com\\_content&view=article&id=51:2016-12-30-07-45-42&catid=19:2012-09-13-07-04-11&Itemid=318](http://ipc.judicial.gov.tw/ipr_internet/index.php?option=com_content&view=article&id=51:2016-12-30-07-45-42&catid=19:2012-09-13-07-04-11&Itemid=318)

## First Constitutional Interpretation on IP Matter: Current Law on Recusal of Technical Examination Officers Ruled Constitutional

the Act is an exception to the Code of Administrative Legal Proceedings, insofar as it provides that a judge who had presided over a civil or criminal action regarding Intellectual Property may participate in an Intellectual Property administrative trial relevant to a previous trial over which said judge presided. Since the exception applies to the judge who exercises judicial powers according to the law, the same should apply to a TEO assisting the judge and therefore there is no need for TEO recusal in the case at issue. The denial of the motion was upheld by the Supreme Administrative Court

After exhaustion of all appealable remedies, the Petitioner petitioned for Interpretation of the Constitution, claiming both Articles 5 and 34 (2) of the Act are unconstitutional as they infringe upon the right of the people to a fair trial and violate the principle of legal reservation as well as the principle of clarity and definiteness of law. The Petitioner also filed a motion for preliminary injunction to suspend the administrative litigation proceeding associated with the TEO recusal.

### *The Grand Justices' Interpretation*

The Grand Justices declared that both Articles 5 and 34 (2) of the Act to be constitutional.

### *Rationale Behind the Interpretation*

The majority opinion of the Grand Justices began with an emphasis on the judicial purpose of judge recusal. As one of the core embodiments of the constitutional right to litigate<sup>2</sup>, the people shall be entitled to a fair trial, and this includes preventing a judge's predetermined bias owing to participation in

different levels or the prior proceeding of the same case, so as to safeguard the realization of hierarchical remedy of law. The same limitation shall also apply to the TEOs, because a TEO's advice and knowledge may also affect the result of the trial. This is because the TEO's opinion may serve as the factual basis of a judgement.

Considering Article 5 of the Act, the Codes of Civil, Criminal, or Administrative procedure pertaining to a judge's recusal is quasi-applicable to deal with any party lodging a challenge against a TEO. As such, the recusal of the TEO is statutorily and clearly provided and is in compliance with the Principle of Reservation in law making. The Petitioner in this case claimed that Article 5 lacks specificity, and as a result the judge who previously attended the decision in designation of the TEO also participated in the adjudication for motion to challenge the same TEO. As such, Article 5 of the Act violates the principle of legal reservation as well as the principle of clarity and definiteness of law. The majority opinion clarified that the matter about which the Petitioner complained is a matter of the "judge" recusal, while Article 5 deals with only "TEO" recusal. Since the matter about which the Petitioner complained is not any of the causes itemized in the Code of Administrative Litigation Procedure for the recusal of a judge, the judge was not compelled to excuse himself.

Moreover, Article 34(2) provides that a judge who had presided over a civil or criminal action regarding Intellectual Property may participate in a relevant Intellectual Property administrative trial. While the judge recusal mechanism was instituted so as to maintain judicial impartiality by avoiding pre-determined bias or conflict of a judge's personal

<sup>2</sup> Section 16 of the Constitution of the R.O.C.

## First Constitutional Interpretation on IP Matter: Current Law on Recusal of Technical Examination Officers Ruled Constitutional

interest, intellectual property cases nevertheless by and large involve escalated technicality and professionalism. It is therefore a legislative policy to minimize split court opinions and further to uphold consistency of the same in order to improve the reliability of the court decisions. Besides, Taiwan's courts are constituted in a bipartite regime, in which there are general (civil and criminal) and administrative courts. While there are itemized causes for a judge to excuse him or herself according to the Code of Administrative Procedure, these causes applied to cases of different trial court which does not affect the public interest and subsequent remedy for the same case in different level of a court. As a result, based on the legislative authority's special concern, Article 34(2) of the Act does not violate the constitutional right to a fair trial. As for the TEO, who is by definition an advisor for technical facts which aid judges, the majority opinion held that a TEO would not need to recuse given that a judge is not compelled to do so either.

Finally, the Court in their interpretation denied the additional request for preliminary injunction because the request was moot as the Interpretation was already rendered and because the Petitioner was eventually awarded a favorable decision from which the Petition for Interpretation was based.

### *Dissenting Opinion and Social Criticism*

In the decision there was a dissenting opinion which disagreed conspicuously with the majority's identification of question in Article 5. One of the dissenting Justices interpreted the question as whether the law is silent on the question of whether a judge shall recuse from adjudicating TEO's recusal

if he or she had previously designated the same TEO is constitutional. The dissenting Justice regretted that the majority failed to give a straight response to this constitutional question.

Furthermore, the Interpretation also invited some criticism due to its denial of the Petitioner's request for a preliminary injunction.<sup>3</sup> Preliminary remedy as part of judicial relief is stressed on its aspects of timeliness. In issuing something like a preliminary restraining order, the Justices should inform the petitioner in a timely manner before a pending issue of merit is resolved. Otherwise, the protection of the petitioner's immediate interest by a temporary relief will not be properly addressed in time. In Taiwan's constitutional history, there have only been 11 Interpretations which have dealt with requests for preliminary injunctions and of these, only one was successfully granted. With respect to almost all the others (nine specifically), denials were based on the same cause – the immediate interest of protection was moot. Those lodging criticisms aimed at the ruling wonder how such statistics and answers to the public's demand for timely protection would meet the constitutional requirement for a due process of law.

<sup>3</sup> <https://tw.appledaily.com/new/realtime/20180214/1298374/>

## No Evidence of Sales Not Absolutely Suggesting Absence of Injury

A group of luxury brands appealed a trademark infringement decision in which they believed they were awarded an unsatisfactory amount in damages in 2017. A few months later and after debates in the second instance, the Taiwan IP Court rendered a judgment reversing the lower court's decision. The appellate judgement elaborates on how the court should exercise its discretion in setting up a multiple for the calculation of damages and on a noteworthy connection between assessment of damage suffered and the presence of evidence.

The appellee is a boutique shop owner which is located in Taipei's most popular shopping district. Enforcement agents raided the shop and basement storage after baiting a counterfeit Louis Vuitton handbag. The police seized and held in custody in total of eight items from Marc Jacobs', two items from Loewe, three items from Céline, three items from Givenchy, and 243 items of Louis Vuitton, all of which were counterfeit bags, each illegally bearing one of the names of the aforementioned brands. In trial, the brand owners claimed for damages in accordance with Article 71(3) of the Trademark Act, in which damages can be awarded up to 1500 times the unit price of the counterfeit item. However the plaintiffs were not satisfied with the award eventually granted by the court and complained that the court accepted retail unit price and the multiple adopted were both unfairly low. The plaintiffs furthermore complained that the amount was not enough to deter such an allegedly habitual infringer.

Article 71(3) of the Trademark Act stipulates that a trademark owner may claim for a total of no more than 1,500 times the retail unit price of the infringing product in seizure. Appellant Marc Jacobs

claimed that the multiple that the lower court set for damages calculation was unjustifiable as it did not take into account the Appellee's high revenue. Appellants Loewe, Céline and Givenchy claimed that the lower court only awarded them five(5), six(6) times of the unit price, which they argued was unacceptably low. Appellant Louis Vuitton also complained that the multiple (100 times) and the unit price adopted by the lower court were unsatisfactory. The appellants therefore believed the court's award was insufficient to equitably compensate the loss of the trademark owners.

The appellate court opined that, unauthorized use of the registered trademark in association with the identical goods/services for marketing purposes has constituted trademark infringement. Whether the infringing products are actually sold is not a requirement for the awarding of damages. Otherwise, it is no different than requiring actual sales before establishing trademark infringement if the saying of no damage without actual sales is affirmed. Such an interpretation would deviate significantly from the definition of trademark infringement (Article 68).

More importantly, trademark rights are intangible property, the exclusive right of which is not the same as that of any tangible property. Infringing use of a trademark does not prevent or exclude the right owner from use of the same trademark, while a tort against the tangible property does. Thus, damage on the trademark right cannot be analogous to damage on one's right to use tangible properties or to collect profits therefrom. Instead, so long as there is infringing use, the trademark owner is injured by failing to collect a reasonable royalty regardless of whether or not actual sales of the trademarked products have taken

place. Returning to the damage calculation, if there is evidence demonstrating sales of infringing product, the court can have the discretion to establish a larger multiple number. Even if such evidence is not available, the court should not thereby rigidly rule a smaller- or zero in the worst case- multiple.

Next, the court reemphasized that the principles pertaining to the awarding of damages revolves around compensation and restitution. Although there is no language covering punitive damages in the Trademark Act, the court rejected the infringer's argument that the absence of evidence is equitable with the absence of injury. The hardship and effort expended in the course of trademark owner's evidence search and collection ought to be appreciated by the court. In particular, given that a trademark is an intangible proprietary right, the value of a trademark is the combinatory endeavor of manpower, time, monetary resources, and so on, in order to build up a connection between the idea of the mark and its designated product. Infringement of trademark is a deprivation of fair and justifiable return from trademark value.

Therefore, as a policy concern, the language concerning the method in which the multiple is to be calculated (Article 71(3) of the Trademark Act) was born to counter the hardship of trademark right holders in collecting evidence of infringement. This relevant language contains a clause which is not secondary to other calculation methods such as owner's actual loss and infringer's profit gained, but rather holds an equal position. The court shall reasonably rule for a multiple in order to recover the losses incurred by the trademark owner. The question at hand is how to set a multiple when there are many

infringing products to take into account and the unit price thereof is varied. The lower court's decision to use the "averaged unit price of all seized goods of the same kind" for multiplication was overruled because it was far too low, given that the highest amount of 1500-times of a single product's unit price is the statutory ceiling. In fact, the lower court's method was derived from the opinions of Judicial Yuan in 2015 to prevent trademark right holders from unjust enrichment by obtaining damages award higher than actual loss. However, in an instance where some products are priced higher than others, the average unit price to be multiplied would be unreasonably pulled down by the lower unit price. For instance, if the enforcement agent only seized an "A" handbag, a product which has a unit price of 10k each, the statutory maximum would be 10K multiplied by 1,500. However, if the enforcement agents seized a counterfeit "A" handbag, and a "B" tot bag which is sold at a unit price of 1k each, the statutory damages will be at most only 5.5k  $((10+1)/2=5.5)$  multiplied by 1,500, which is even lower than the unit price of an "A" handbag multiplied by 1,500. As such, the court opined that if the seized items of the same kind and their unit prices are varied, at first the court shall multiply the highest unit price by 1,500 to yield the ceiling of statutory damages. And then, under the ceiling, the court shall weight all relevant factors in order to finally determine the amount to be awarded. Thus, it is understandable that the multiple actually adopted is not necessarily an integer.

The court re-examined related facts of infringement upon considering the aforementioned information. In the end, the court awarded damages which were significantly higher than those which were awarded by the lower court.

## RIMOWA Trade Dress Affirmed by Appellate Court in Taiwan

In mid-April 2018, the Taiwan IP Court in second instance held a judgement in favor of RIMOWA, recognizing its signature groove design used on suitcase products as a well-known representation of goods (a.k.a “trade dress”), protectable under the Fair Trade Act. Tsai, Lee, & Chen represented RIMOWA in continuation of this legal dispute in appeal.

The Appellants were importers and retailers of luggage products which were manufactured and shipped from China. RIMOWA was determined to go after the infringers who have been selling counterfeit items bearing their trade dress, as this action is in line with its corporate policy of rectifying and establishing the legitimate rights of its signature symbol of goods in the luggage market. RIMOWA prevailed in the trial court, whereupon the infringing party brought the case to the appellate court.

The appellate court rendered a decision in concurrence with RIMOWA’s arguments. Most notably, the court granted RIMOWA’s request for a joint liability among all appellants and their respective legal representatives.

The court further elaborated that the legal system is designed in such a manner so as to not merely extend technical protections to intellectual property, but also to protect fairness, innovation and competition in the market. The purpose of keeping “well-known representation of goods” under the Fair Trade Act is to maintain a fair competition in the consumer marketplace and to avoid the commercial

transaction order being undermined by passing off the good will of others or by the substantial copying of the goods of others. As such, as long as the groove design is sufficient to demonstrate its innovation to such an extent that consumers can rely upon it as an identifier of the origin of goods, it can be taken into consideration for the scope of the well-known representation of goods. As for technical features such as the size, ratio or material, they are not criteria for making such determination.

The appellants failed in a dilution counter-argument that RIMOWA’s signature groove design was weakened due to additions of more elements. The court opined that such an issue does not exist because the classic series remains as a way to identify the source of the goods in question. Furthermore, the introduction of new fashionable elements such as glamorous gems in new lines of products to attract a consumer’s attentions is a common, yet effective strategy for companies to diversify and expand the scope of their businesses.

Moreover, the appellants’ defenses alleging functionality of the groove as well as the appellee’s abuse of the rights did not convince the court. The court explained that RIMOWA did not monopolize all kinds of geographical combination of stripes, surfaces (be they concaves and convex), and flat faces on exteriors of luggage products. The signature groove design at issue has its own featured elements. Most importantly, RIMOWA never emphasized that it’s products possessed superior resistance against





**TSAI, LEE & CHEN**

Patent Attorneys & Attorneys at Law

連邦國際專利商標事務所

連邦法律事務所

[www.tsailee.com](http://www.tsailee.com)

**GREATER CHINA IP EXPERTS**

11F, 148 Songjiang Road, Taipei 104, Taiwan / TEL +886 2.2564.2565 / FAX +886 2.2562.7650

[info@tsailee.com.tw](mailto:info@tsailee.com.tw) / [japan@tsailee.com.tw](mailto:japan@tsailee.com.tw) 日本語送信



# **TSAI, LEE & CHEN**

Patent Attorneys & Attorneys at Law





**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

Editor in Chief [cjchen@tsailee.com.tw](mailto:cjchen@tsailee.com.tw) Crystal J. Chen

Researcher & Writer Kevin C. W. Feng

Art Editor Tommy Y. H. Tang

Photo Credit (Cover) Melody Chen, Dongshan Mr. Brown Avenue,  
Dongshan Township, Yilan County, Taiwan

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