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Tsai, Lee & Chen Welcome Reception Before APAA 2019 (SAVE THE DATE: November 8th)

SAVE THE DATE



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Welcome Reception Before APAA 2019

November 8th

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Duty to Report Agreements between Patentee and Generic Drug Competitor Implemented

Taiwan's new Patent Act 2018 introduced patent linkage to the Pharmaceutical Act, systematically connecting the enforceability of a new drug's associated patents and the market approval from a competing generic copy. The policy goal is to encourage generic copy manufacturers to engage in development of more affordable drugs having biological equivalence, so that, ultimately, patients will be able to enjoy the benefits of using lower-priced medicinal alternatives. To create a financial incentive, the first generic challenger who prevails in an infringement suit will be granted exclusive sales privilege for as long as 12 months.

According to various research, once a generic copy debuts on the market, the originally patented counterpart will surrender significant market share, as well as the accompanying profits. But if the patentee persuades competitors to step out the market in exchange for a reward, the patentee can continue to enjoy an exclusive status and thereby earn more than what the patentee could if such competition were to exist. In such a win-win scenario, which is referred to as a reverse payment deal, there is only one loser—the patients, who are barred from access to cheaper medicines.

The new patent linkage system imposes the relevant parties in opposition of commercial or legal interests a specific duty to report any agreements to the supervising agencies. As read, any parties of new drug patentee, generic drug applicant, or generic drug's marketing approval holder who engaged in a settlement or otherwise an agreement with respect to the drug's manufacture, sales, or term of marketing exclusivity shall report to the Taiwan Food and Drug Administration ("TFDA") within 20 days. One shall further make a report to the Fair Trade Commission if the agreement is a reverse payment in essence. Also,

the TFDA holds discretion in forwarding a received agreement to the Fair Trade Commission for further investigation should there be any likelihood of unfair competition concerns. (Article 48-19)

Recently, the TFDA issued an administrative order to implement the duty of report. As regulated, a lawful report shall be made within 20 days to include at least the following information about an agreement:

- (1) Agreed parties' business names, nationalities, residences, domiciles or locations of establishment, and their representatives' names, residences and domiciles;
- (2) Purpose;
- (3) Effective date;
- (4) Serial numbers of associated market approvals and/or applications;
- (5) Date, term, and other relevant facts associated with an exclusive sales or manufacture privilege, if any;
- (6) Serial number of associated patent certificates; and
- (7) Facts of payments, if any, and a note whether reporting to the Fair Trade Committee in the event of a reverse payment deal (Article 2).

Reviewing such a report, the TFDA may invite relevant parties to further explain the agreement in writing. The TFDA may demand that the relevant parties timely supplement any details about a reverse payment deal that are missing from the report (Article 3). Lastly, it is stressed that the TFDA has the authority to forward any information received from the agreed parties to the Fair Trade Committee in any potential case of barring generic competition, affecting use of affordable drugs by patients, and compromising the market order of pharmaceuticals as well as public health (Article 4).

Entegris v. Gudeng Precision – One of the Highest Damage Awards for Patent Infringement Lawsuit

In April of 2019, Taiwan IP Court released a press statement after ruling a patent infringement with a damage award with an amount of more than NTD 978,000,000, equivalent to about USD\$ 31,600,000. The court also granted a permanent injunction against the defendant for any act of sale, offer for sale, use, or importation of the patented products. As for the products of infringement by the defendant in inventory, they were ordered for confiscation and destruction.

Entegris, Inc., US semiconductor manufacturing system supplier, filed a law-suit in 2015 against the Taiwanese competitor Gudeng Precision Industrial Co., Ltd. for patent infringement. The patent in dispute by Entegris, I317967 ('967) is about the "reticle carrier and an associated method using the same," whereas the product at issue is a EUV pod used in photolithographic semiconductor processing. During the suit, Entegris raised its damages claim up to NTD 1,000,000,000, and further sought a punitive damage in triple of the loss in view of the willfulness by the defendant.

Though the defendant attempted to raise an invalidity defense but was denied by the court. Patent claims challenged were, in all, considered to be novel and inventive, in view of the arts at time of priority date. Besides, the court found Gudeng's products not only read on more than one of '967's claims but determined the infringement by equivalence on some patent claims as well.

Entegris and Gudeng are engaged in direct competition in the business of mask handling equipment such as a reticle box, which rests in a rather small and specific position within the entire wafer industrial chain. A reticle carrier is a technical solution that safely and cleanly stores and transports the reticle after it is manufactured to

reduce its chance of being damaged. Hence, it is a critical strategy in semiconductor manufacturing. Being in a shoulder-to-shoulder competition in the industry, it implies that Entegris and Gudeng should have more comprehensive information about the innovative capacity or even patents of each other. The defendant, Gudeng, should have exercised a higher degree of due care, and known about the patents granted or at least had motivation to stay alert for IP development by Entegris. Since Gudeng had been continuously engaging in the sales and manufacture of infringement even after the suit was initiated, the court found Gudeng willful.

As for the amount of damages, the court indicated specifically that the damage calculation would not take the '967 patent's contribution percentage in the product value into account. The structure of a reticle box at issue, which the '967 directs to, is quite simple for it is composed of some elements, and the court found the technical features of the patent at issue are attached to and cannot be deviated from the entire product, namely, the reticle box. Besides, Gudeng is selling the entire reticle box as a unit instead of any specific component of the same. Therefore the '967 patent which embodies the entire reticle box is significant to its function and structure. Consequentially, the damage calculation was made based on the sales figures of the entire reticle box.

Finally, the court ruled for 1.5 fold with Gudeng's gross profit from its sales summed up for approximately 10 years, with further consideration of Gudeng's willfulness in the act of infringement, the duration of infringement, and competition status, etc. As such, the sum has come up to more than NTD 978,000,000, yet the case remains appealable.



Many are disappointed for the court did not determine the contributive percentage of the patent at issue commensurable to the sales figures of the product at issue. In fact, the profit of an enterprise may result from many factors including refined control of manufacturing process, lower cost of raw materials, improved sales channels, efficient financial operation, and so on. Instead of merely viewing the patented technology, to reckon the damage amount of the patent infringement based upon the gross profit of the infringing products is an over-estimation of the patent value.

The civil law of Taiwan is rooted in the fundamental principle of loss recovery, suggesting that the purpose of a damage award is to make up for what have been lost so as to resume to the status as if no infringement has ever occurred. If two companies of different sizes are engaged in an infringement suit, the loss of plaintiff may not necessarily be the same as the gain of defendant. An award of the entire profit gain by the defendant to the plaintiff would either be too much a compensation for plaintiff loss, or too less than enough for compensation. Therefore, an award based on the infringer's entire profit gain might have deviated from the principle of loss recovery.

Actually, the contributive percentage of a patent serves to fairly evaluate the value of a patent rendered by a technology or product improvement. Without the patent, the infringer can also make a reticle box, and the only difference may be that the box won't have such a design embodied with technological advancement. Hence, if the contributive percentage of a patent in a product is excluded, it would have unreasonably awarded the added value both from the patent at issue and also from the existing art to the plaintiff.

The defendant, Gudeng, believes the finding of the court defected, and has sought legal remedy with further appeal. With respect to the permanent injunction and the order of product destruction, Gudeng emphasizes, in its public statement that the order will only become enforceable until the case is final and binding. At current stage, Gudeng will remain its regular operation, and will not destruct their products on its own. However, the stock price of Gudeng plunged on the day when the court released its ruling. Soon after, the stock price has gradually rebound to the first quarter average as of April.

Patent Strategy Adopted by Financial Institutions of Taiwan Analyzed

The Taiwan Intellectual Property Office (“TIPO”) has completed a survey as its collects patents from its database in relation to financial technology (“FinTech”) filed by Taiwanese financial institutions from 2006 to March of 2018. With more than 700 patents in the sample pool, TIPO has produced the analytical statistics and presented the trends of innovative developments by financial institutions of Taiwan.

Invention Patents v. Utility Models

Utility model accounts for the majority of FinTech patents of Taiwan. Among 726 applications, only 399 cases were filed as utility models whereas 105 cases as invention patents. In addition, 222 cases had been, concurrently, filed as both utility model and invention patent. Obviously, applicants of financial institution have the preference using utility model that applies to system, structure, or shape of articles to protect their subject matters. Even though utility model can be advantageous in its short pendency, apparently the lack of search or substantive examination does not secure a granted utility model to a presumption of validity.

If the core business of financial institutions is integrated with the utilization of advanced technology, it is very likely that a computer method will be involved. It would, therefore, imply an invention patent claiming a process or method can be more beneficial in a way to provide more comprehensive protection over FinTech.

Filings in Different Business Sectors

Patent applications for technologies used in “banking” were way more than other sectors, amounting to 38% of the total filings in this survey. Other major sectors where applicants were engaged in are transaction (17%), payment (15%), insurance (12%), investment (9%), and taxation (2%) respectively. Services of subject matters involved by applicants are found as follows.

SECTOR	SERVICES
Banking	Walk-in teller; Mortgage; Transfer; Money laundry prevention; Safety box; Credit card audit; Credit report; Security validation; Loan risk review; Previous metals; Guarantee management; Cash flow analysis
Transaction	Stock and future trading; Foreign exchange; Mutual fund; Financing;
Payment	Online payment; ATM transfer; Utility bill payment; Mobile Payment
Insurance	Property insurance; Life insurance; Post-sale client services; Insurance policy management; Claim processing
Investment	Stock investment analysis; Risk analysis; Financial product analysis; Investment setting; Fund parking
Taxation	Tax payment or query; Tax refund



Other applications not dedicated solely for FinTech account for 7% of the total filings. They include but are not limited to the optimization process for internal system of financial institutions, such as database management, file encryption, human resource management, and so on. Although they might not correlate with FinTech in direct terms, such software or hardware, innovation can be essentially critical to the efficiency, convenience, and safety of various services provided by the financial institutions. .

Filings in Different Technology Sectors

Technical fields of patents, according to the survey, include: mobile platform, big data, artificial intelligence (“AI”), cloud system, blockchain, Internet of things, user interface, teller system automation, general information, and others. Unfortunately, the category of “general information” accounts for the majority of the cases, totaling about 37% of all, and they do not involve novel innovation, but merely data collection and sorting in a client-server model without resorting to any concept of big data, AI, cloud system, or the like. For example, the application of an invention patent directs to a system and it simply transforms the review process and audits requests for mortgage loan using a digital system or a computerized platform. However, such invention does not help Taiwan much to renovate itself as a FinTech powerhouse.

Short Conclusion

Financial technology has been in the development since 2012, but applications of related invention on FinTech in Taiwan have not increased much afterward to 2016. It seems that local financial institutions have not kept abreast with international FinTech development concurrently.

In the survey, it is found that most of the subject matters were filed for utility models rather than invention patents. However, an invention patent which permits both apparatus and process can be a more beneficial option for financial institutions if they are to secure IP protection in a broader scope.

On the other hand, financial institutions of Taiwan should aim at the cutting-edge technologies as its innovative developments. Although there were filings in AI, big data, blockchain and so on, it is found that about 40% of the filings remain at mediocre level of technological utilization. As viewed, financial institutions of Taiwan should attempt to seek to integrate novel state-of-art into their services for only brand new transformation and service upgrade can create advantage to deal with the next-generation competition in a global scale.

Trademark for Public Peeing Raises Morality Concern

Taiwan Intellectual Property Special

The applicant filed a trademark application for GUMGUM and device designated to use on services of cafeterias, bars and restaurants. The trademark device depicts a man with a tobacco pipe dangling from his mouth, and his hands in his pockets while peeing casually (hereinafter the “GUMGUM man”). Because of the GUMGUM man’s casual peeing gesture, the Taiwan Intellectual Property Office (TIPO) issued a preliminary rejection on the ground of Article 30-I-7 of the Trademark Act which stipulates that a trademark shall not be registered if it is contrary to public policy or to accepted principles of morality.

The examiners indicated that the GUMGUM man may give consumers an impression of a middle-aged man peeing in public, or at least would very likely cause many to associate the GUMGUM man to uncivilized behavior. The examiners further elaborated that the law, namely, Article 30-I-7 of the Trademark Act, is meant to maintain public order and good morality. With regard to public order, this refers to the general interest of the nation and to society, whereas good morality refers to a general moral concept accepted by society. The provision may be applied to a trademark if it, either in form or in its meaning, is contrary to the nation’s interest or a socially accepted moral concept. However, according to the examiners, the application of law would still take into consideration the social atmosphere at the time when attempts to register the trademark are occurring, and the law is not limited only to regulating a trademark itself. If a trademark itself does not contain any bias, vulgarity, discrimination, or unpleasant wordings or devices, but the use of the trademark may lead to the same phenomenon as soon as the trademark is associated with the designated goods or services, the trademark would still be governed by the aforesaid provision.



The examiners in their preliminary rejection gave seven types of situations that are generally identified as being against public order or good morality. They include situations in which trademarks (1) are damaging the national dignity, (2) instigate a crime or disturb the social order, (3) are related to a mark of an illegal or armed rebellion organization, (4) cause a terrifying or repulsive feeling that may disturb mental health, (5) are disrespectful to a country, an ethnic group, a religion, a profession or an individual, (6) are contrary to moral principles, and (7) promote superstition.

In rebuttal, our trademark attorney emphasized that the application of Article 30-1-7 should be determined by the integrated factors of social atmosphere at the time of the registration, the marketplace of the designated goods and services, and the recognition of the relevant public. The trademark device at issue -- the GUMGUM man -- was drawn with American-style illustration techniques in mind, the design of which is humorous and entertaining. The applicant company was established by a group of young backpackers who love traveling, food and drinks. Deriving inspiration

from their enjoyable experiences during their trips, it is the founders' common idea to build a relaxing space where people can interact and share ideas. The device of the GUMGUM man symbolizes a free spirit without care or worries, as shown by a tobacco pipe dangling from the man's mouth while peeing. It was hoped that consumers would find their most relaxing moment at the applicant's restaurant. The applicant tried to convey such ideas by utilizing unconventional humor and believed that such a funny trademark device would interest and impress consumers.

The applicant also submitted a record of significant gross revenue, as well as various media

reports and great food reviews to demonstrate its successful operation under the trademark GUMGUM and the device. In addition to no negative comments regarding the GUMGUM man device, most reviewers on the internet said the device is mischievous, funny and humorous. All the evidential materials prove that the spirit of the brand coined by the applicant has been well accepted by consumers.

At the end, TIPO allowed the registration of GUMGUM and the device on the restaurant related services, bringing a happy ending to the GUMGUM man.



Amendments to the Trademark Law of PRC Passed on April 23, 2019

In recent years, the speedy growth in number of trademark applications filed with the Trademark Office of China National Intellectual Property Administration (“CNIPA”) has unveiled some problems, including abuses of bad faith applications and the tampering of trademark system, such as trademark squatting, trademark hoarding and cornering, and concurrent bulk filing for trademark blocking. At the tenth Session of the 13th Standing Committee of the National People’s Congress held on April 23, 2019, it approved the amendment to PRC Trademark Law, a year after the draft amendments were released for public discussion in April 2018 and scheduled for amendment. The move made by the Standing Committee is deemed as swift, and the amendment is planned to cut down on unnecessary waste of resources with CNIPA and at courts for abused trademark filings and litigations. Most of all, the move is desired to effectively punish willful infringement, fake trademark applications, and litigations conspired with trademark agents.

Prohibition Against Any Trademark Without Intent to Use From Registration

Registration is the primary principle of PRC Trademark Law. In the amendment, “intent-to-use a trademark in the business operation” is required for any trademarks filed for registration. Such a requirement is stipulated for the first time in the Trademark Law. Hence, any trademark application in lack of intent to use will be rejected. Besides, any person may file an opposition against an approved trademark application within three months from the

date of its publication after approval, or institute invalidation proceeding after the lapse of the three-month opposition period if any person finds the application or registration in violation of the “intent-to-use” clause.

In practice it has become more and more difficult to locate a decent word mark within four Chinese characters from the database at the Trademark Office of CNIPA. Given with the legislative intent, many trademarks not in use are likely to be rejected or invalidated as the “intent to use” requirement is stipulated into the Trademark Law and it authorizes any person, instead of only the interested party to institute an opposition or even invalidation for removal of a trademark. However, it is very costly to ascertain if a trademark is used anywhere by any person in this jurisdiction as China is a vast country, and it will be a new challenge for CNIPA to ascertain whether a registered trademark is actually in use.

Raise Punitive Damages and Statutory Damages

The amendment significantly raises the punitive damages up to five times, yet three times under that of current law from actual damages. Furthermore, the maximum amount of statutory damages is also lifted up to RMB\$5,000,000 (an equivalent to approximately US\$ 733,700).

In pursuant to PRC Trademark Law, the amount of damages for trademark infringement is to be assessed on the basis of (1) actual loss of the right holder, (2) profits of the infringer and (3) appropriate

multiple of royalties under a trademark license. The assessment methods are sequential and not optional. If none of the three methods is applicable, the court shall grant compensation by statutory damages. However, some local studies analyzed from 2015 to 2017 find that only 0.2% of the trademark infringement cases are awarded with punitive damages by courts. According to the study, the exceptional use of punitive damages can be attributed to the lack of evidence for gains by infringer, no any proof to indicate royalty fees received because the trademark has never been licensed. In terms of the ceiling with statutory damages, it is not absolutely unbreakable for the Supreme People's Court has issued opinions that for IPR cases courts should take the situation in general into consideration under current economic status for its adjudication. As have been indicated by the court, if the plaintiff can provide sufficient evidence to prove its damages or show the gains by infringer have obviously exceeded

the maximum amount of the statutory damages, the court may, at its discretion, grant a compensation amount above the statutory ceiling.

Destroy Commodities and Manufacturing Tools of infringement

At the request of rights holders, courts shall order the destruction of commodities bearing the infringing trademarks as well as materials and tools used to manufacture them. Besides, the commodities of infringement cannot be launched onto the market merely by removing the infringing trademark they bear.

The above-mentioned stipulations are what have been changed in the amendment to PRC Trademark Law, which is scheduled to be implemented on November 1st, 2019.



New Version of the Draft Amendment to China's Patent Law

China's Standing Committee of the National People's Congress released the latest version of the drafted Amendment to the Patent Law on January 4, 2019. The Amendment was formulated to improve the current patent system, a system which has been beset with complaints that it is insufficient to tackle the emerging and complex issues faced by China in the area of patent law. This will be the fourth amendment to the Patent Law since its enactment in 1984. The government has invited the public opinions on how to improve the current Patent Law since 2015. This newest draft published at the beginning of 2019 signals that series of substantive changes in the statutory rules will soon become reality, very likely before the end of this year.

• DESIGN

To conform to Hague System for design, of which China is still not an official member, the term of design protection will extend from 10 to 15 years from the filing date. However, the 15-year term is not retroactively applicable to cases filed before the amendment becomes effective. Furthermore, a domestic design application can be a valid priority basis for another design application. Amendment to Partial design has been crossed out from the latest version.

• DAMAGES

This newest version of China's Patent Law sees the introduction of punitive damages, with the possible amount allowed for statutory damages slated to be significantly increased. For willful infringement with grave malicious intention, the infringer may be sentenced a punitive amount for up to five (5)

times of the found damages at the court's discretion, much higher than other leading nations in the field of intellectual property. Furthermore, the court may award an amount ranging from RMB 0.1 to 5 million depending on factors outside of the standard calculation basis for damages, such as the type of patent or the severity of the infringement.

The Amendment also introduces a mechanism to shift the patentee's burden to proof. During litigation, when the patentee has exhausted all means in considerable attempts to demonstrate the amount of damage, the court may order the accused infringer to present hitherto undisclosed information such as ledgers, books or other financial records to the court. If the accused infringer fails to present or has tampered with the information, the court may determine the damages amount solely based on the evidence provided by the patentee.

Notably, the methods for calculating damage amount remain the same as what has already been written in the previous version of the Patent Law. This method entails that the lost profit of the patentee, the financial gains of the infringer and the reasonable royalty must be considered consecutively. Only when the previous method is not eligible or applicable can the patentee adopt the next method.

• REMUNERATION

In addition to rewarding employees with monetary remuneration for their service inventions, the employer is encouraged to reward its employees by conferring financial assets. To reasonably share innovative revenues, the employer may grant company's equity share, options, dividends, etc. to its inventor employee. However, this provision may

not be interpreted to establish a lawful entitlement on which the inventor employee may request for company stocks instead of monetary rewards. Indeed, an employment contract or a company policy clearly governing invention remuneration will prevail. In the absence of a contractual rule or policy, the Implementing Regulation of the Patent Law stipulates that the employee is entitled to monetary rewards. Despite of the employee's entitlement, the new provision still provides more remuneration options for some startups that are slow in cash flow but eager to hire inventors with talent.

- **ISP'S DUTY**

The internet service provider (ISP) bears explicit duty of care in instances of online infringement. The patentee or a person of interest may request the ISP to remove, block, or disconnect the accused product based on the court's adjudication, ruling, mediation decision, or the local patent administration's order. Without a necessary action after receiving patentee's request, the ISP shall be responsible for joint liability over any extended scope of damages. The currently effective E-Commerce Law also has similar provisions.

- **OPEN LICENSE**

The patentee may grant a license to anyone after the grantee has paid a pre-determined license fee. This is done by submitting a voluntary statement in writing to the CNIPA. The CNIPA will approve and make public the statement so that anyone interested in implementing patented technology can be bound by an agreement after giving consent to the license terms and paying the license fee. If the patent open for license is a utility model or a design, a patent

evaluation report is an additional requirement.

An open license statement can later be withdrawn at the patentee's request in writing. A withdrawal, however, will not revoke any ongoing and effective license(s).

- **STATUTORY TIME LIMIT**

A lawsuit against an infringer must be filed within three (3) years from the time when the patentee or a person of interest knows or is supposed to know the relevant facts of infringement, which is only two (2) years under current law regime.

To enforce provisional right after publication before a grant, the patentee may claim for reasonable royalty within three (3) years (two [2] years under current law regime) from the time the patentee knows or is supposed to know the facts of a third party's use of the claimed technology, or from the time of patent grant if the patentee knows or is supposed to know the facts of exploitation before the patent grant.

Some problems remain unresolved, namely: collecting effective evidence, overspending in litigation, insufficiency in damages awards are those of many issues bothering the patentees. Cases of trans-regional infringement and on-line infringement are increasing, while abuse of patent rights also occurs. In terms of IP monetization, patented technology transfers are not as efficient as expected. Information asymmetry and non-transparency in the market of patent licensing apparently demonstrates the inchoate status of relevant services. All those issues require the CNIPA administration's more efforts and amendments to regulations in hope of a better improvement.

Anti-Unfair Competition Law of the P.R. China Revised



On April 23, the Standing Committee of the National People's Congress released the latest revision of the Anti-Unfair Competition Law ("AUCL"). With four articles being revised, the new AUCL should fortify the trade secret protection mechanism. The AUCL was previously revised in November 2017, less than two years ago. Some have interpreted this new AUCL as an immediate reaction responding the China-US trade conflicts which however seem to last without a foreseeable sign to cease. Several emphases of the new AUCL are elucidated as follows.

1. Intrusion by electronic means can be a kind of infringement. Of article 9 of the revised AUCL, it provides that "electronic intrusion" is reckoned as one of the exemplified means among theft, bribery, deception, and threat that improperly acquires trade secrets of others. Besides, a contributory behavior which induces or helps a person to misappropriate a trade secret is also defined as an act of infringement.
2. Not only a business operator, but any individual, legal entity, or organizational unit without personality maybe liable if accused of misappropriation for trade secret.
3. The new AUCL has introduced punitive damages. For a case of willfulness, the court may award one to five (1~5) fold of the damage amount calculated based on the loss of secrecy holder or gain by infringer, if not ascertainable. When neither a loss nor a gain can be ascertained, the court shall exercise discretionary award and its ceiling is

now elevated from RMB\$3,000,000 (USD\$443,000) to RMB\$5,000,000 (USD\$738,000).

4. In addition to a judiciary decision, an administrative agency in provincial level will also have enforcement authority to issue injunctions and confiscate the gains by infringers. Besides, an infringer can further be penalized by the agency for a fine from RMB\$100,000 to RMB\$1,000,000, or even another significant fine ranging from RMB\$500,000 to RMB\$5,000,000 according to severity of the willfulness.
5. The trade secret holder now bears a lighter burden of proof as the new AUCL introduces a burden shift. During a proceeding which is pending at the court, an assumption of infringement finding will be established when plaintiff presents preliminary evidence to adopt measures of secrecy protection and evidence of misappropriation. To rebut, the accused shall prove otherwise if the allegedly infringed secret of the plaintiff is not a protectable secret as defined in the newly added provision of Article 32 of AUCL.
6. On the other hand, when the plaintiff presents any kind of evidence as follows, the defendant shall then bear the duty to prove the non-existence of misappropriation:
 - Evidence that the accused defendant has an access to or an opportunity to access to the secret and information which is substantially identical to the secret;
 - Evidence that the secret has already been

published, used by the defendant, or risked for being published or used; or

- Evidence that the secret has been misappropriated by the defendant.

In the real world of business competition, strategically the technology enterprises manipulate IP instruments such as patent and trade secret quite interchangeably. In many cases, the core technology of an enterprise is held as a secret rather than being disclosed to the public as a patent. By doing so, one can hold an absolute monopoly status. In previous practices, many enterprises had come across the problem that innovative results were unlawfully leaked out along with the mobility of technical specialists.

The new AUCL has significantly increased the cost of trade secret misappropriation as the upper limit of damages is elevated. Punitive damages have become possible, and any subject who violates the AUCL is held for infringement liability regardless of its form of organization. And the secret holder sits in a rather advantageous position to launch a lawsuit. The new AUCL substantively enhances the operability and practicability for the mechanism of trade secret protection. With such a strengthened protection for trade secret law, technological enterprises will, hopefully, be more encouraged to invest in research and development to enable China to prosper for innovative and technical advancement.



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Draft Amendment to the Patent Examination Guidelines released by CNIPA

A proposal to amend the Patent Examination Guidelines was made internally at the National IP Administration of PRC (“CNIPA”) before the end of 2017. In April of 2019, CNIPA released a draft amendment on the Examination Guidelines, and invited advices from the IP community to render their comments on this new version of draft within a period of one month. Many changes in the draft were made in devotion both to clarify the phrasing and optimize current practices. For elaboration, emphases of the new Examination Guidelines are digested as follows.

Divisional Applications

The new Examination Guidelines clarified the timeframe to file for a divisional with a lack of unity because it is absent in the guidelines currently in effective. The phrasing specified that “a further (grandchild) divisional” raised in a (child) divisional shall be made, though falling short of unity, within a designated timeframe based on the child divisional application. As a reminder, the supreme time structure will remain the same that one can only request for divisional applications with the parent (the very first application) pending.

To file for a divisional, the applicants shall be the same as that recorded in the parent application. For any inconsistency with the applicants, an agreement of the assignment or a similar instrument demonstrating a change with the applicant shall be recorded at the Bibliographic Database of CNIPA before one/they file for a divisional application. To cope with the new requirement, foreign counsels are advised to retain a longer period of time ahead of giving instruction on a divisional application to a local counsel, if the applicants turn different.

Also, the examiner is empowered to investigate or validate both the executions of an assignment by an assignee and assignor, such as any possible inconformity of stamps, seals, signatures, and others that are used on the application

sheets and assignment. Therefore, one shall ensure that such executions are not erroneous.

Graphical User Interface

Graphical user interface (GUI) that is visible when a given electrical tool is powered up became patent-eligible from March 2014. Within the new Examination Guidelines, it exemplified the proper title of a patent for GUI design as “a refrigerator having temperature-control GUI” or “a dynamic GUI for weather forecast installed on a cellphone.” Nonetheless, a title cannot be as indefinite as “a GUI for software” or “an operable GUI.”

Submission of drawings for GUI was even more specified. The applicant may submit only one orthographic view which clearly presents the product indicating to which GUI is installed. In the case where dynamic views are involved, the applicant may submit an orthographic view of one state as the front view, with views of other states in serial transformation also provided.

Benchmark of Inventive Step for Invention Applications

China uses a “problem-solution approach” similar to that by EPO to determine inventiveness. The examiner shall, at first, identify the “distinguishing features” different from that of the prior art to establish a technical problem objectively. And then, the examiner shall identify the technical problems with solution offered by the technical effect of the distinguishing features “in the claimed invention.” In other words, the examiner shall not identify a technical problem simply by his plain understanding of the effect of the said distinguishing feature according to ordinary knowledge or in a prior art for reference.

For multiple technical features that are functionally in collaboration and interacting, the examiner shall consider

the technical effects resulted from those technical features and their coordination in comprehensive terms. As a caution to the examiners, the new Examination Guidelines emphasized that any technical feature that has “no contribution” to solve a technical problem does not carry much weight to determine the inventiveness of a technical solution in a claim.

One may be optimistic about this change. In fact, an examiner is prohibited from challenging claims by an arbitrary dismantle or over-segmentation of a synergetic assembly of the claimed technical features. Furthermore, an applicant will have more ammunition in the future, such as hindsight bias, to argue over inventiveness rejections.

Also, the examiner shall provide corresponding evidence of proof or state reasons in order to reject by citing a piece of common knowledge. In addition, if the examiner considers the technical features having contribution to the solution of a technical problem as common knowledge, the corroborative evidence shall generally be provided

Telephone and In-person Interviews

Some current restrictions are scheduled to be removed. At any time during pendency, both examiner and applicant may, when occasion requires, request for a conversation. Rather than only formality issues, a conversation may include the interpretation from both parties about the claimed invention and prior art for references. The new Examination Guidelines stressed that a phone conversation is, in no circumstances, inferior to an in-person interview simply as of its formality in which conversation has been conducted. Other options include video conferences and emails.

Furthermore, the production of logs and records of conversation will no longer be a mandatory requisite at the end of the examination.

An amendment simply orally agreed between the examiner and the applicant cannot, in whatsoever way, replace a paper submissions. Only a formal request accompanied by amendments in writing will officially enter.

Invalidity Action

When the challenger presents multiple references and there is more than one way to combine those references, the examiner shall start with a “primary” combination. If the challenger fails to designate a primary combination, the first combination will by default be reckoned as the primary one. It is foreseeable that the entire procedure of an invalidity action will be accelerated with disputes concentrated.



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