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# TIPS<sup>®</sup>

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## Global Vision **Taiwan and China IP Experts**

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## Top 10 Chinese IP cases in 2023

**With** the advent of the World IP Day on April 22, the Supreme People's Court ( "SPC" ) reported at its press conference the overall development status of IP judicial protection in Chinese courts. According to the SPC, more than 540,000 first instance, second instance and retrial cases relating to IP were docketed by Chinese courts last year. Compared with 2022, the number of closed cases and the number of newly-received cases were up by 3.41% and 0.13%, respectively. In the 319 infringement cases in which the courts awarded punitive damages, the total damages amounted to CNY 1.16 billion (equivalent to USD 160 million). Meanwhile, the SPC announced the top ten IP judgments and 50 typical IP cases in 2023, covering patents, trademarks, copyrights, new plant varieties and anti-unfair competition. The cases involved the development of a number of cutting-edge key areas and industries relating to core technological innovations, well-known domestic and international brands, digital economy, and farming and agriculture, among others. The ten cases mentioned in the SPC's announcement are summarized below; in all cases, the names of both parties have been redacted from the SPC press release.



Company X (likely to be Siemens) is the owner of the registered trademarks “西门子” and “SIEMENS” for household appliances. Company Q used a company name incorporating the same term “西门子” as a business logo in the packaging and commercial campaigns for laundry machines. The SPC upheld the original

judgment in the second instance, finding that Q's willful use of “西门子” caused confusion and constituted unfair competition. As for the amount of compensation, the SPC found that although the evidence presented was insufficient to ascertain X's actual losses or Q's actual gains from the infringement, at least either one had ran over CNY 5 million, the ceiling for

statutory damages. Q' s refusal to present financial data relating to the infringement activities created a barrier to evidence. Based on press reports that Q's average annual sales were CNY 1.5 billion, the court ruled that Company X should be awarded CNY 0.1 billion (1/15 of the total sales) due to infringements.

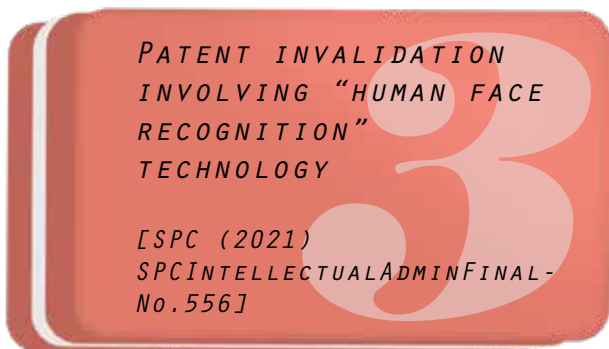
In this case, the Court implemented the evidentiary rule of judicial obstruction. If a party bearing the burden of proof deliberately refuses to submit evidence and interferes with the fact-finding process, it will result in an unfavorable judgment against the party.



Company L (likely to be Château Lafite Rothschild) is the long-time owner of registered trademarks "LAFITE" and "CHATEAU LAFITE ROTHSCHILD" on alcoholic beverages, establishing a connection with "拉菲." In 2005, Company J based in Nanjing applied for the registration of "拉菲庄园" and

subsequently used "拉菲庄园" and "LAFEI MANOR" for the manufacture, sale and import of wines. In 2016, the SPC upheld the decision to revoke J' s applications. L then sued for infringement. In the second instance at the SPC, the Court held that J' s applications constituted an act of malicious misappropriation of L' s goodwill, and that J had falsely exaggerated the history and publicity of the "拉菲庄园" wines. The Court found infringement and awarded damages of CNY 79.17 million.

The case highlights the importance of good faith and integrity in market competition. The intent to free-ride on another's reputation should be discouraged.



A third party raised an invalidity action against patent 200480036270.2 for “A Method for Acquiring Facial Images and a Facial Recognition Method and System” owned by Company Z. During the invalidity proceeding, Company A requested for a post-grant amendment of claims. The CNIPA accepted some parts of

the amendment and rejected others, before making the decision to declare the ‘270 patent invalid due to lack of inventiveness. Company Z sued against the CNIPA’s decision.

The new Patent Examination Guidelines have added a new type of post-grant amendment of a claim known as the “further limitation of the claim.” The Supreme People’s Court emphasized in the second instance of this case that amendments to claims shall not exceed the scope of the specification and the claims as filed or expand the scope as granted. In such a context, therefore, an acceptable approach to further limiting a claim is to form a new claim that contains all the technical features in the previously granted claim as well as other new features in other claims. Furthermore, the Court emphasized that amendments to claims in invalidity proceedings can only be those which are made in order to overcome defects in response to rejections or objections. Actual restructuring of claim set in under the guise of overcoming rejections is generally unacceptable. In the present case, the newly amended Claims 8-10 depending from claims 4 and 7 were admissible. The CNIPA’s decision was wrong and was therefore remanded.

The case addressed the definition, acceptability and purpose of post-grant amendments, particularly as a further limitation of claims in invalidity proceedings.

*NEW PLANT VARIETY  
INVALIDATION INVOLVING  
THE CORN BREED "RED  
JADE (DANYU) No.405"*

*[SPC (2022)  
SPCINTELLECTUALCIVILFINAL-  
No.2907]*

Company D's new corn variety Red Jade No. 405 had been passed off by Company N with its corn varieties Purple Light No. 4 and Beautiful Jade No. 118, among others. Company D sued for economic loss and enforcement expenses of CNY 3 million (CNY 1.5 million as the royalty base figure

plus 100% punitive damages multiplier); however, the court of first instance granted only CNY 1 million. The Supreme People's Court in the second instance evaluated multiple factors including the repetitive activities, the wide territorial span, and the large scale of the consequences and determined there to be malicious willfulness on the part of the infringer. By calculating the quantity and gross sales profit of the disputed Red Jade No. 405 corn harvests, the Court found that damages of CNY 1.5 million should be sufficient to cover the loss. A total of CNY 3 million as claimed was awarded.

In China, the damages base can be set at the court's discretion in view of the presented evidence. The court would not merely use a statutory figure simply because of the difficulty for accurately calculating the base figure.

*COPYRIGHT INFRINGEMENT  
AND UNFAIR COMPETITION  
INVOLVING A NAVIGATION  
MAP*

*[BEIJING HIGH PEOPLE'S  
COURT (2021)  
JINGCIVILFINAL-No.412]*

Company S authored a series of electronic maps and licensed them to Company B (likely to be Baidu), the license term last until 2016. After the license expired, Company S complained that Company B continued to use a number of substantially the same navigation maps in its six

applications including “Baidu Maps,” “Baidu CarLife” and “Baidu Navigation.” Company S sued for copyright infringement and unfair competition. Both the first and second instance courts found that the disputed maps constituted graphic works protectable under the Copyright Law. In a review of the evidence comprising a large amount of map data—including, for example, 30 secret labels—the courts found that the six apps of the defendant used substantially the same maps as the plaintiff. Consequently, the courts awarded damages of CNY 64.5 million plus enforcement costs.

One of the main questions in the case was whether an electronic navigation map is a copyrightable work, and the court conducted a complete analysis on this. Copyright law protects an original expression in a particular fixed form. Factors such as whether an electronic map is created or stored in a computer medium, whether it requires the use of software or hardware to present, and whether it offers personalization of the operating interface do not necessarily determine copyright eligibility. When an electronic map is downloaded to a terminal device, the expression is fixed regardless of the user’s customized settings. Furthermore, the electronic maps in this case employed unique object labeling, drawing methods and color matching, among other things, in contrast to choices or processing based on standards, rules and practical functions. In addition to merely presenting geographical facts, the disputed maps were essentially personalized compositions. Thus, they demonstrated originality and were therefore eligible for copyright protection.



Company W (likely to be Sina Weibo) is the operator of Sina Weibo, a microblogging service and one of the largest social media platforms in China. Company W complained that a Company J illegally employed an API to capture a large quantity of Weibo data and then stored and sold the same.

The courts of first and second instance found Company W to have used the Weibo server API to retrieve a large quantity of data by deceptive means, switching the IP addresses and the user's ID, and subsequently selling the data for profit. Such activities posed certain data security risks involving personal privacy and sensitive information leakage, unfairly and unethically undermining the competition in the data market as a consequence. Calculated at an average rate of approximately CNY 1 per 100 uses, the total damages for infringement were summed up to CNY 21 million.

In terms of damages awarded, this is one of the cases with largest damages award involving data competition. The ownership and utilization of data are protectable by law. Unauthorized use by illegal means is a violation of good faith.

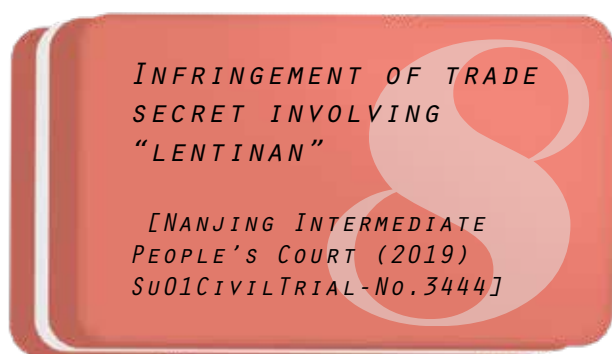


Defendants Liu and Liu were found to have willfully and jointly manufactured and sold dongles that bypassed technological copyright protection measures to provide links for downloading maintenance manuals and to duplicate support software for medical device products of Company X. The piracy software was substantially the same as the work of the copyright holder.

The unauthorized duplication and dissemination of software and the circumvention of copyright protection measures constituted a grave offense of willful infringement of copyright. Both of them were sentenced to imprisonment and received monetary fines.

This is a typical case following the effectiveness of the 11th Amendment to the Criminal Law; the Amendment clarified the adjudication criterion determining criminal liability for circumventing and undermining technical protection measures. It demonstrated the strength

of the judicial department in safeguarding the lawful interests in software copyright and promoting the development of the digital economy.



Company H and Company T entered into a technological license agreement whereby Company H agreed to supply Company T with raw materials for manufacturing lentinan, a polysaccharide extracted from shiitake mushrooms. According to the terms of the license contract, the lentinan produced by Company T was to be sold to

a distributor designated by Company H. In the case of Company T entrusting distribution to another company, Company T would be liable for compensation amounting to CNY 20 million. Both Companies H and T had adhered to confidentiality regarding the technological license. Several years later, it was found that Company T arbitrarily transferred the licensed lentinan manufacturing technology to a third party for a consideration of CNY 1 million, and this third party made a public announcement that it had put the lentinan raw materials into mass production, with a total value in excess of CNY 100 million. Company H sued Company T. In the review of an Intermediate Court, the lentinan technology in dispute was not known to the public, was of economic value, and was subject to confidentiality measures. It met the requirements of eligibility for protection as a trade secret. Company T's transfer and disclosure of substantially the same technology to another entity without consent constituted infringement by breach of the license contract. According to the indemnification clause in the contract, Company T was duly obliged to provide compensation to Company H to the amount of CNY 20 million. The Supreme People's Court affirmed the decision and the case was finalized.

This case involved secrets of the processing of raw materials from shiitake mushrooms for traditional medicine. It has explored inquiries relating to the identification of secrets of traditional medicine technology and the unauthorized use of secrets. It is conducive to the protection of the IP of traditional medicine and has collaterally encouraged modernization and innovation in traditional medicine.



In 2017, Company X (likely to be Xiaomi Technology) launched a smart speaker (or “AI personal assistant”) that is voice-activated using the wake word “XiaoAi Classmate”. AI voice interaction engines using the same wake word were installed in subsequent products such as cellphones and TVs. An individual named

Chen underwent applications for 66 registrations of the word mark “XiaoAi Classmate” on a variety of classes of products. Chen served warning letters to Company X and also collaborated with a Company Y to use the “XiaoAi Classmate” mark on sport watches, alarm clocks and other products. Company X sued Chen and Company Y. The Intermediate Court found that “XiaoAi Classmate” had been widely used as an influential wake word, as the name of an AI voice interaction engine, and as an electronic product equipped with such an engine. It was protected by the unfair competition law. Defendants Chen and Company Y’s activities of “trademark squatting” and issuing warning letters were deemed to have violated the good faith principle and undermined fair market order. Their sales of products bearing the “XiaoAi Classmate” mark were deemed a dissemination of misleading and false commercial information, constituting unfair competition. They are jointly liable for economic losses and enforcement expenses incurred by Company X totaling CNY 1.2 million.

The court recognized the protection of an AI voice-activated wake word. The unauthorized use of influential wake words was against the legal interests under the unfair competition law. The malicious practice of “trademark squatting” by using another party’s famous wake word was effectively discouraged. The business reputation of an innovative enterprise was fully safeguarded.



Company T (likely to be Tencent) offers a “teenage mode” in its “Tencent Video” and “Tencent NOW Live” apps. When running the app, a window pops up to notify the device owner of the choice to activate the teenage mode. In teenage mode, the app disables in-app purchases such as crediting and gifting or switches to an anti-addition

mechanism. Before running the app, the user must click the “Terms and Conditions” checkbox to promise not to modify or sabotage the normal operation of the teenage mode. Company A created an adware removal tool whereby a premium user can disable the teenage mode pop-up notification. The court of first instance found that Company A’s tool interfered with or undermined the normal operation of Company T’s product for the purpose of exploiting economic interests. By damaging the industrial ecology, violating laws and regulations around youth protection, and discouraging the development of the audio/video industry, it constituted unfair competition. Taking into account such factors as the widespread coverage across multiple apps, the large number of downloads, and the considerable impact on the youth population, the court ordered that CNY 3 million be awarded in damages and enforcement expenses. Following the verdict, the two parties reached a settlement.

This case recognized the positive role of teenage protection mechanisms in apps. Disabling the protection mechanism using unfair means would be characterized negatively. By emphasizing the importance of youth protection, the judgment also highlighted the significance of business operations’ responsibilities in terms of Environmental, Social, and Governance.



# Commercial Novelty for Plant Variety Rights Revisited

**In Taiwan**, intellectual property protection for new plants is provided through plant variety rights. The five statutory requirements for a new plant variety right are novelty, proper variety name, distinctness, uniformity and stability. The first two are formality requirements, whereas the latter three are substantive ones. According to the Plant Variety and Plant Seed Act ( “PVPSA” ), a new plant variety is considered novel when “before the filing for an application, no plant seeds and no harvested biomaterials of such variety have been subject to sale or promotion solely by or with the consent of the owner for longer than one year in Taiwan or otherwise six years for trees or perennial vine plants, or four years for other plant species outside Taiwan” . Providing that all requirements are met, the Ministry of Agriculture will grant a plant variety right.

In September 2012, a Taiwanese local agent on behalf of the German company Klemm+Sohn GmbH applied to the Council of Agriculture of the Executive Yuan (now known as the Ministry of Agriculture; “MoA” ) for a new variety of poinsettia (*Euphorbia pulcherrima* Willd. ex Klotzsch). The variety right A01437 was granted in 2016. Later, an individual named Zhuang filed for revocation of the variety right, alleging that the new variety failed to fulfill the four requirements. The MoA reviewed and decided to reject Zhuang’ s request; Zhuang contested the decision and sued the MoA.

The plaintiff challenged the rejection decision, primarily arguing that the poinsettia variety in dispute was already being grown and sold by farmers in Taiwan before March 2011, this being more than one year prior to the variety right’ s application date. Thus, the new variety in dispute lacked novelty. However, Klemm+Sohn (the “variety applicant” ) and its local agent countered that the sales or promotional activities over the span of a year were neither conducted by nor approved by the local agent. In one instance, some farmers had taken a small number of samples to the market for test sales without prior permission from the local agent. In another scenario, a farmer (the “witness” ) had taken the seed samples to participate in a floral competition; this was merely a “free trial planting” . No commercial promotions or sales had been taken place. The local agent had recovered all of the eight or ten trial plants after the competition. None of them were made public or leaked as a result, according to the variety applicant.

The trial court began by setting forth the laws. According to the PVPSA, loss of novelty consists of two elements:

-  **Element 1:** The plant variety has been sold or promoted in Taiwan for more than one year preceding the date of application for variety rights; and
-  **Element 2:** Sale or promotion is performed by the variety applicant or with the consent of the applicant.

Specifically, according to the PVPSA, sale refers to the act of selling at a certain price or bartering, whereas promotion refers to the act of introducing and providing plant seeds for others to use.

From the perspective of international law, the court admitted that trial plantings as in the present case are not a type of novelty-loss activity under the category of commercial sales or promotions; thus, Element 1 was not met. A significant portion of Taiwan's current variety rights regime essentially models the UPOV Convention; hence, it would be more accurate to interpret the Taiwanese clause of variety novelty by referencing the corresponding provisions of international law.<sup>1</sup> A collective view of the selected provisions in both the 1991 Act and the 1978 Act of the UPOV Convention (UPOV 91 and UPOV 78) manifests that only when the variety in dispute is sold or disposed of in other ways for the purpose of exploiting said variety by the breeder themselves or with their consent would the variety right's novelty be destroyed. The activities of mere trial planting do not negate novelty.<sup>2</sup> This exemption for trial use was further emphasized in the UPOV's Explanatory Notes on Novelty on October 22, 2009.<sup>3</sup> In the present case, a witness who received a small quantity of seed samples from the local agent

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<sup>1</sup> Article 6 of the UPOV 91

<sup>2</sup> Article 6 of the UPOV 91 and Article 6(1)(b) of the UPOV 78

<sup>3</sup> [https://www.upov.int/edocs/expndocs/en/upov\\_exn\\_nov.pdf](https://www.upov.int/edocs/expndocs/en/upov_exn_nov.pdf)

testified that he had signed a “trial planting agreement” with the local agent to grow the new variety of poinsettia for experimental purposes. The witness complied with Articles 1 and 2 of the agreement, which specifically require that all seeds covered by the agreement can only be used for variety trial plantings and that the seed samples cannot be reproduced, transferred or resold to any third parties. Thus, the court held that Element 1 was not met.

Element 2, the variety applicant’ s consent for sales or promotional activities, was also not satisfied. In the trial planting agreement, it was clearly stated in Article 5 that the witness is obliged “not to display the trial result in a public place or written publication.” The witness explained in his testimony that he was unaware of his employee’ s arbitrary decision to sign up for a floral competition using the sample seeds he had received. He regretted that he had not abided by the restrictive clause of non-disclosure in the agreement. Neither, however, had he ordered his employee to participate in the flower show using said seeds. The exposure of the new poinsettia variety in dispute was due to his negligence as a result of breaching the clause of non-disclosure by failing to supervise his employee’ s activity at work. The witness neither requested reimbursement of the competition registration fee nor informed the local agent when he later learned about the participation in said competition. In light of the above, the court found that the use of the new variety in dispute in a floral competition had not been approved or even acknowledged by the variety applicant or the local agent beforehand.

Furthermore, since the variety applicant and the local agent had not permitted the disclosure of the trial plants, any presence of the new variety in the market - possibly resulting from an unintended leakage or theft - within a year of filing for an application would not amount to a sale or promotion leading to loss of novelty.

As a last resort, the plaintiff alleged that a so-called trial planting was unnecessary as it bore the risk of variety leakage and was thus disguised as an act of commercial promotion. The court rejected this allegation by explaining that a trial planting was conducted in order to produce a scientifically analytical report submitted along with an application for a variety right. A trial planting can effectively produce and demonstrate evidence of characteristic differences



Fig 1. A similar new variety of poinsettia (different from the variety in the present case) from the same applicant Klemm+Sohn GmbH registered at the MoA.

compared to the control or known varieties. Whether a trial planting is necessary in order to support an application is entirely at the applicant's discretion and choice.

Ultimately, the court concluded that the new poinsettia variety was in compliance with the novelty requirements under the PVPSA. The plaintiff's complaint was therefore dismissed.<sup>4</sup>

In short, plant variety rights in Taiwan comply with the commercial novelty benchmark. The threshold for commercial novelty is lower compared to the absolute novelty standard for patents, suggesting that novelty would not be easily compromised by a mere disclosure to the public. Only when the new variety is sold or commercially promoted beyond the one-year grace period should it lose novelty. Trial planting in an experimental context does not negate novelty. Prior consent is another inalienable element. In order to provide comprehensive protection, before submitting an application, variety applicants are encouraged to enter into agreements with relevant third parties who have access to and/or are exploiting the seeds of the variety or other propagated or harvested biomaterials to ensure no further use or exploitation of the same beyond trial planting is allowed.

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<sup>4</sup> IPCC-112-AdminPlantTrial-No.1

# Court Elaborated Definition of Trademark Exhaustion due to Parallel Import

**Trademark** exhaustion is one of the limitations to the enforceability of trademark rights in Taiwan.<sup>1</sup> Specifically, Taiwan adopts the principle of international exhaustion in its first-sale doctrine. Once a product bearing a registered trademark is sold in either the “domestic or foreign” market by the right holder or by another entity permitted by the right holder, the trademark right exhausts locally. It means that the right holder is no longer entitled to claim for infringement against a resale within Taiwan. Analytically, the exhaustion clause consists of three elements:

- ❶ The product sold for the first time in the market is a legal one bearing the registered trademark;
- ❷ The product is sold for the first time from a lawful source; and
- ❸ The first-time sale is made by the trademark owner or with the permission of the trademark owner.

A number of precedent judgments decided that, for the third element, “permission” can be established not only through an explicit consent but also implicitly by the existence of a business relationship between the first-time seller and the Taiwanese trademark owner. This was affirmed in a recent Supreme Court case.

Nefful International Holdings ( “Nefful” ), a Japan-originating multi-level marketing company incorporated in Singapore, owns Taiwanese trademark registration No. 01781681; this is a logo consisting of a globe shape formed of stars with the words “NEFFUL INTERNATIONAL” placed in the center (See Fig. 1).



Fig. 1:  
Taiwan Trademark Registration  
No. 01781681 under several classes.

<sup>1</sup> Article 36 of Trademark Act

In 2015, Nefful received from its Taiwan branch office the transfers of a series of word marks in various fonts bearing the simple text “Nefful” (See Fig. 2).



Fig. 2:  
Taiwan Trademark Registration  
No. 01119883, under Class 25 for clothing.

Nefful discovered an online store (the “defendant”)<sup>2</sup> at Shopee.tw displaying and offering for sale a large number of consumer goods all purchased and imported from Japan bearing logos or text related to “NEFFUL” (See Fig. 3). On its webpage, the defendant highlighted among other things messages which translated as “the full series of NEFFULJP products carried back straight from Japan” and “sharing good products brought from Japan”. These accused products bearing marks with the letters N-E-F-F-U-L in the same order—although not exactly identical, having different fonts and with the addition of wave motifs—were alleged to be highly similar to Nefful’s registered trademarks. Nefful complained that this second sale of the accused products constituted trademark infringement and thus filed a lawsuit for damages and injunctions.

The defendant argued that the accused products had all been legally purchased from Japan’s Nefful company. The pictures of the accused products in the original packaging (See Fig. 3) show there to be a square mark with two wave motifs inside, with “NEFFUL” in much smaller text placed on the side; this is distinctly different visually from the logo in Fig.1. Furthermore, the marketing sentences and phrases, including the phrase “NEFFULJP products straight from Japan”, merely served the purpose of delivering information rather than being used as a trademark. There was no intention of identifying the source of products or free-riding the goodwill of another. Furthermore, from the evidence presented by the plaintiff Nefful, the same wave-motif logos were displayed at the company premises. The defendant’s purchased products were likewise sold by the plaintiff. Thus, the clause of parallel import applies.

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<sup>2</sup> <https://shopee.tw/newfangna>



Fig. 3:  
A possibly similar packaging bag  
of the products discussed

Not sourced from the parties in this case but  
screen-captured at <https://sho.pe/6cphpa>

(This Figure herein which was publically released  
serves for explanatory purpose. Tsai, Lee & Chen  
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rightful owner.)

In 2022, the IPC Court, having heard both the  
trial and the appeal cases, ruled in favor of the  
defendant by finding no trademark infringement  
since—among other factors—the use of the  
same trademark was absent. The case was

brought to the third instance. It was, however, remanded by the Supreme Court, who indicated  
that the lower court had erred by failing to carefully investigate the degree of similarity between  
the two disputing marks.

At remand, the IPC Court reconsidered and firstly explained that the trademark right is  
exhausted when the same product bearing the same mark originates from the same right holder  
and is sold once within or outside Taiwan.

On the issue of trademark use, the court further examined to find that the accused products'  
packaging bag bore a horizontal bar on the top seal with "NEFFUL" written in white on the left  
side of the bar. There is a light-colored box on the left side of the bag; in the lower part of the  
box is the text "NEORON", which is decorated by a wave motif above the text with wavy arcs  
extending from upper left to lower right. The text "NEORON" and the wave motif were  
conspicuous. The accused products were apparel, socks, shawls and other items which were  
identical or similar to the goods which the asserted trademarks designate. Hence, there existed  
the likelihood of confusion as to the same or related source in business.

As for the issue of parallel import, the court decisively sided with the defendant in determining that the asserted trademark was exhausted, as implied by the permission element. During the hearing, the court found that the Singaporean Nefful International had on its website confessed that Nefful Japan was founded in 1971 before subsequently branching out into several Asian markets including Taiwan and Singapore. This connection explained the economic and legal ties between the Singaporean and the Japanese entities and their use of the same "NEFFUL" and "NEORON" marks. Although the Taiwanese and Japanese trademarks are based in different territories and are ostensibly owned by different entities, the origin of their exclusive intellectual property rights is essentially the same. The Taiwanese trademark owner cannot prohibit the re-sale of a genuine product bearing the same mark sold for the first time in a foreign country.

To briefly conclude, the accused products were purchased from a seller economically related to the Taiwanese trademark owner. Despite them bearing a mark identical or similar to the registered trademark in dispute, the re-sale of parallel imported genuine products does not constitute infringement locally.<sup>3</sup>

Unwilling to back down, Nefful again appealed to the Supreme Court. In June 2024, the Supreme Court accepted all of the lower court's analysis and affirmed the remanded decision.<sup>4</sup>

As the Supreme Court emphasized, quoting *In re Philip B*<sup>5</sup>, the permission element that leads to the exhaustion of a trademark right does not have to be explicitly made. When the trademark rights originate from the same root and there is a certain degree of commercial connection between the foreign trademark owner and the Taiwanese trademark owner (such as licensing, franchising, distribution, exclusive sales, shareholding, joint ventures, or even strategic alliances such as joint marketing on a global scale using a single trademark), these common economic ties or shared commercial strategies ensure the likely control of the quality of trademarked products and the course of trademark use from the upstream down. The good will of the Taiwanese trademark owner is therefore protected. The existence of such a relationship implies permission and thus the prohibiting of the domestic exercising of a trademark right.

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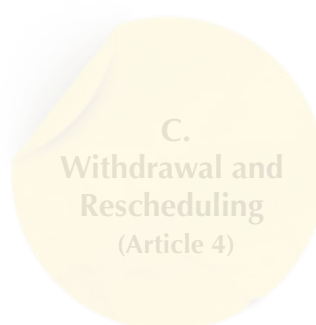
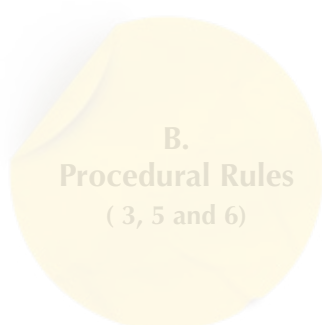
<sup>3</sup> IPCC-112-CivilTrademarkAppealRemandOne-No.2 (02.01.2024)

<sup>4</sup> SPC-113-TaiwanAppeal-No.882 (06.27.2024)

<sup>5</sup> IPCC-105-CivilTrademarkAppeal-No.14 (01.24.2017)

# Taiwan's Program for Delayed Examination of Invention Patents Revised

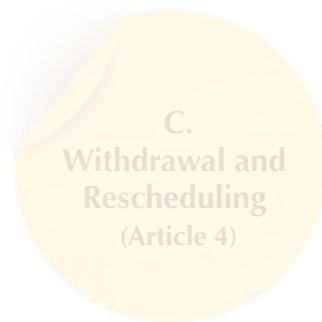
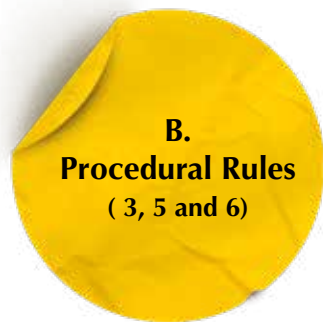
**The** Taiwan IP Office offers applicants the flexibility to align patent prosecution with their product commercialization timelines or the examination pace of corresponding foreign applications. In order to enable the slowing down of the examination, the Invention Patent Application Delayed Examination Program was introduced in March 2015. Following extensive feedback over the years, the TIPO has drafted revisions to the Program to sufficiently meet the needs of current users. Generally speaking, the draft allows applicants more time to request an examination delay, effectively pausing the examination process. These revisions also include the reorganization of paragraphs and renumbering of Articles in the Program. Below is a summary of the key points.



A request to delay examination can be made at stages other than the first examination. For an invention patent application, the applicant may request the examiner to pause the examination at any point from the start of the substantive examination until the serving of the first Office action, when it is at either (1) the first examination or (2) the re-examination stage.

The draft removes the current restriction preventing applications which has spun off divisional application(s) from being paused.

However, some restrictions remain. The examination cannot be paused if (1) the substantive examination is made by a third party or (2) the applicant has requested for acceleration (AEP) or the Patent Prosecution Highway (PPH) for the same application.



In addition to providing the application number, applicant name and representative details, the applicant must also specify the date on which the examination should resume. The resumption date must be within three years of the filing date.

A note that there is no official fee for requesting a delay has been removed, since it is unnecessary to specify such.

At the end of the pause term, the application will automatically be placed chronologically in the examination sequence for the same year. The draft also emphasizes that the statutorily scheduled timeline for an application's publication is not affected by the examination pause.<sup>1</sup>

<sup>1</sup> ... [T]he TIPO shall lay open the patent application for invention eighteen (18) months since its filing (or priority, if any), Article 37(1) of the Patent Act



The applicant may withdraw a delay request but cannot request another delay for the same application if a previous request was made and then withdrawn.

The applicant may change the examination resumption date, but the newly rescheduled date must still fall within the three-year period from filing.



The official title in Chinese referring the type of this legal document that outlines the Program is renamed to Directives from a Plan. Article 1 has been rephrased in order to emphasize the Program's purpose of delaying an examination.

# Technical Evaluation Report as an Essential Requirement Accompanying a Warning Letter for Utility Model Enforcement

**Liu** holds a utility model ( “UM” ) patent M508941 for an umbrella featuring a foldable shell; the patent was granted on September 21, 2015. From September 22, 2015 to December of the same year, Liu sent warning letters to several Taiwanese online marketplaces, including GOMAJI, Buy123, 17Life and Poya, alleging that umbrella products provided by Splendors Biotech Co., LTD. were infringing on UM M’ 941. In order to avoid legal disputes, some marketplaces removed Splendors’ umbrella products. Liu later sued Splendors for UM infringement, but the IPC Court dismissed the complaint, finding M’ 941 being lack of inventiveness. Seizing this advantage, Splendors filed a lawsuit against Liu for tort and abuse of legal rights under the unfair competition laws.

After several rounds of appeals and remands, the Supreme Court ruled in favor of Splendors in March 2024, affirming a remanded decision<sup>1</sup> and thus ending the case.<sup>2</sup>

In the remanded review, the IPC Court first addressed unfair competition law in the field of warning notices related to IP rights. According to the Fair Trade Act, no enterprise shall engage in deceptive or obviously unfair conduct that could undermine trading order, except in the legitimate exercising of rights under the Copyright Act, Trademark Act, Patent Act or other intellectual property laws.<sup>3</sup> Whether this exemption applies to warning notices depends on the benchmarks outlined in the Fair Trade Commission Disposal Directions on Reviewing Cases Involving Enterprises Issuing Warning Letters for Infringement on Copyright, Trademark and Patent Rights ( “FTC Directions” ). The FTC Directions provide a set of recommended preliminary measures to justify such a letter. For instance, a comprehensive argument included in a warning letter to clearly state the time and place of the asserted IP right—as well as details of the production process, use, sale or import—can ensure that the recipient has sufficient awareness of any possible infringement, thereby supportive of a defense against unfair competitive charges.

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<sup>1</sup> IPCC-110-CivilPublicAppealRemand(1)-No.4 (2023.01.19)

<sup>2</sup> SC-112-TaiwanAppeal-No.1106 Ruling (2024.03.28)

<sup>3</sup> Articles 25 and 45 of the Fair Trade Act

The IPC Court further emphasized the pivotal role of a Technical Evaluation Report ( “TER” ) as a necessary component of any warning letter. A utility model is granted after a formality examination without the need for a substantive examination. As a result, even if a UM patent certificate is issued, it does not inherently imply a solid or legally stable right. In this context, a TER becomes essential to strengthen the validity of a UM when asserting it. The Patent Act codifies the indispensability of the TER, stating that “[w]hen exercising a utility model patent, the patentee shall not issue a warning without presenting the technical evaluation report of the utility model patent”<sup>4</sup>. Without a TER, a warning notice lacks legitimacy as an enforcement measure. Only by attaching a TER can the serving of a warning notice be considered compliant with the Fair Trade Act’s exemption.<sup>5</sup>

The IPC Court went on to explain that a Technical Evaluation Report (TER) is irreplaceable. An infringement analytical report produced by a non-authoritative legal expert (such as a law office) is intended to determine whether an accused product or method falls within the claimed scope of a patent, based on the assumption that the patent claims are valid. An infringement analytical report and a TER serve different purposes; the former cannot be used as a replacement for the latter. Additionally, following the preliminary measures outlined in the FTC Directions does not eliminate the need for a TER. At most, these measures can only set out the facts of the alleged infringement; implementation of the measures does not override a required opinion on validity.

As the IPC Court emphasized, when a party fails to present the TER for a UM before issuing an infringement warning letter to a competitor, and the severity is enough to undermine trading order and result in unfair competition, the penalties prescribed in the Fair Trade Act shall apply.

In this case, Liu failed to take sufficient preliminary measures before sending warning notices to the online marketplaces. For instance, the letter sent to 17Life did not even include an infringement analytical report, and Splendors was neither copied into nor informed about the notice. The letter to Buy123 lacked specific details of the alleged infringement and only provided the registration

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<sup>4</sup> Article 116 of the Patent Act (after amendment in 2013)

<sup>5</sup> Article 45 of the Fair Trade Act

information for M' 941. In the letter to GOMAJI, Liu stated that “the product in question is at risk of infringing the asserted UM, and we will not take this matter lightly; since we are now pursuing legal means to claim compensation from the seller, you are officially advised not to violate the related laws” . None of these letters included a Technical Evaluation Report (TER), nor were there any urgent circumstances that would have justified the omission. Liu sent these letters directly to the marketplaces, implying legal action would be taken if the accused products were not removed, but did not simultaneously notify Splendors of any alleged potential infringement. As a result, the letters undermined trading order and thus violated the Fair Trade Act.

Furthermore, the forced removal of Splendors’ products from the marketplaces as a result of these letters constituted a tort, causing injury to Splendors and breaching the Fair Trade Act. Accordingly, the IPC Court awarded damages to Splendors.

On March 29, 2024, following the finalization of the case, the Fair Trade Commission refined the preliminary measures by revising the Directions. In particular, the revisions mirrored the Patent Act by requiring that if the asserted patent is a utility model (UM), the party must present both an infringement analytical report and a Technical Evaluation Report, and must notify the potential sellers, importers or agents of the likely infringement either beforehand or simultaneously.<sup>6</sup> However, even if a party fully complies with the preliminary measures before issuing a warning letter, this does not provide absolute immunity from an unfair competition charge. The FTC retains the discretion to review each warning letter on a case-by-case basis.<sup>7</sup> Furthermore, the format of the warning letter, whether in paper or electronic form, is irrelevant and will be governed by the Directions.<sup>8</sup>

Finally, in an effort to disseminate community-level legal knowledge learned from this case to the general public, the TIPO has published a summary guide titled “How to Handle IP Warning Letters” , which can be accessed at: <https://www.tipo.gov.tw/en/cp-976-935796-45425-2.html>.

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<sup>6</sup> Item 3(1)(3) of the Directions

<sup>7</sup> Item 5(2) of the Directions

<sup>8</sup> Item 2(1)(6) of the Directions

