



Please rest assured that Taiwan IPO and our firm have been maintaining normal operation as the coronavirus pandemic spreads throughout the world.

When faced with the severe global health crisis triggered by the pandemic, please take good care of your health and stay healthy.

## **TIPLO News**

**JANUARY 2022 (E266)**

*This news mail distributed in Japanese and English from time to time provides updates on the development of law in Taiwan with focus on intellectual property rights law. For more information about the status of intellectual property right protection and practice in Taiwan, please visit our website [www.tiplo.com.tw](http://www.tiplo.com.tw)*

### ***Topics in this issue***

- 01 Amended accelerated examination program for green patents takes effect as of January 1, 2022**
- 02 Taiwan officially launches design patent priority document exchange program as of January 1, 2022**
- 03 Taiwan and South Korea ink income tax treaty to avoid double taxation**
- 04 Taiwan's legislature gives greenlight to amendment to the Act for Development of Biotech and New Pharmaceuticals Industry**

### ***Taiwan High-Tech Industry News***

- 01 TSMC unveils N4X process technology for high performance computing products**
- 02 Merck to invest 17 billion in Taiwan to scale up new production lines and R&D capacity of its electronic technology business sector**

## *Topics in this issue*

### **E220103Y1**

#### **01 Amended accelerated examination program for green patents takes effect as of January 1, 2022**

Taiwan IPO's amendments to the Accelerated Examination Program (AEP) have come into force since January 1, 2022 for the purpose of stepping up the R&D and commercialization of green patents in Taiwan. As of July 2021, there had been a total of 255 AEP applications filed for green technology patents under the condition, "Inventions Related to Green Energy Technologies" Taiwan IPO introduced to the AEP on January 1, 2014 (hereinafter referred to as "Condition 4"). It is noticeable that the 255 AEP applications filed for green technology patents under Condition 4 accounted for 2.74% of all AEP applications and a majority of them, up to 88%, were filed by domestic applicants. Also, a breakdown by industry indicates that solar energy, LED lighting, and lithium-ion battery industries are the top three ones for which these applications were filed.

Key points of the amendments to the AEP are summarized as follows:

1. Revisions of wording: The term of Condition 4 of the AEP, "green energy technologies" is revised as "green technologies" so as clarify that the eligible patent applications are not limited to only green energy related inventions.
2. Expanded scope of eligibility: The scope of technologies eligible for AEP request is enlarged to cover the green technologies that are able to save energy, reduce carbon emission, and save resources.
3. Accelerated examination: For the AEP applications that are filed under the conditions, "essential to commercial exploitation" and "inventions related to green technologies", the 9-month pendency for Taiwan IPO's issuing examination result after the filing of all necessary documents will be shortened to 6 months, which is an expedited and shorter examination pendency compared to the application for general inventions. The expedited examination pendency will facilitate applicants' development of patent portfolio.

As the world is moving toward net zero emission by 2050 and the "study and plan of accelerated examination program for green patents" is listed as a key performance indicator of the chapter, "Climate Change and Human Rights" in the National Human Rights Plan of Action that Taiwan has been promoting, Taiwan IPO not only keeps pace with the international trend but also encourages innovators of green technologies, by amending the AEP, to stick with their research and development, for the ultimate purpose of creating a win-win situation that environmental sustainability development is fully facilitated and economic force moves up through the innovation of green technologies. (Released 2022.01.03)

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### **E211230Y1**

#### **02 Taiwan officially launches design patent priority document exchange program as of January 1, 2022**

For broadening the scope of service of electronic priority document exchange mechanism (hereinafter briefly referred to as "PDX" program) and making it more comprehensive and robust, Taiwan IPO and Japan Patent Office signed the MoU on Design Patent Priority Document Exchange in 2019 to include design patents into the

scope of applicability of the PDX program. Through both countries' intensive development and frequent testing, the interfacing function of the mechanism has been successfully constructed, and thus, the PDX program has officially begun its service since January 1, 2022.

The PDX program saves design patent applicants' time in paperwork mailing and simplifies cross-border application procedure, which will expedite patent examination. Applicants of both countries are encouraged to take advantage of the PDX program. (Released 2021.12.30)

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**E211130Y8**

**E211130Z8**

**03 Taiwan and South Korea ink income tax treaty to avoid double taxation**

Taiwan and South Korea signed the Agreement for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income on November 17, 2021 (hereinafter referred to as the Taiwan-Korea Income Tax Agreement). The agreement will enter into force after both parties each have completed the respective necessary domestic legal procedures relating to the agreement and notified each other in writing of that effect, and will further apply to tax-related matters from the very first day of January following the year in which the Agreement enters into force.

The Department of Finance of Taiwan indicated the following figures to explain the close and intense relationship between Taiwan and South Korea in economy and trade. That is, the bilateral total trade between Taiwan and South Korea had amounted to USD35.7407 billion, and Taiwan and South Korea became each other's 5<sup>th</sup> largest trading partner in 2020. Moreover, the investments from Taiwanese enterprises to South Korea were USD2.041 billion, and USD1.506 billion *vice versa* as of the end of July 2021. The Taiwan-Korea Income Tax Agreement provides appropriate tax reduction and exemption measures that will eliminate double taxation, relieve tax burden, enhance bilateral industrial cooperation and technology exchanges, step up competitiveness of enterprises, create employment opportunities, boost both countries' economic growth, and ultimately form a win-win situation.

The Taiwan-Korea Income Tax Agreement is the second income tax treaty Taiwan has concluded with the north-east countries in addition to Japan. The conclusion and effect of the Taiwan-Korea Income Tax Agreement will be able to reinforce income tax treaty network of Taiwan in the north-east Asia and further to facilitate Taiwan's conclusion of other income tax agreements with other countries and upgrade Taiwan's international competitiveness. (Released 2021.11.30)

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**E211221Y9**

**04 Taiwan's legislature gives greenlight to amendment to the Act for Development of Biotech and New Pharmaceuticals Industry**

The amendment to the Act for the Development of Biotech and New Pharmaceuticals Industry cleared its third reading at the Legislative Yuan on December 21, 2021 and the Act is renamed as the "Act for the Development of Biotechnology and Pharmaceutical Industry" (a tentative English translation).

Ever since July 4, 2007 when the Act for the Development of Biotech and New

Pharmaceuticals Industry was promulgated and enforced, the Act has been facilitating the innovative development of Taiwan's biotech, medical, and pharmaceutical industries and leading to these industries' production of biotech and pharmaceutical products with high added value through enforcement of tax benefit measures. With many biotech and pharmaceutical products of Taiwan launched, Taiwan's new drugs and high risk medical devices have been introduced into the international market.

Key points of the amendment are summarized as follows.

1. The period of enforcement of the Act is extended until the end of 2031.
2. Expansion of scope of applicability: The scope of the administration and applicability of the Act are broadened to cover, in addition to new drugs and high risk medical devices, also new dosage form preparations, regenerative medicine, precision medicine, digital health, the innovative technology platforms especially for biotechnology and pharmaceutical industries, and also contract development and manufacturing organizations. Moreover, "emerging biotech and pharmaceutical products" are redefined as "other strategic biotech and pharmaceutical products".
3. Tax incentives for R&D: A biotech and pharmaceutical company that is engaged in research, development, and manufacturing may enjoy a reduction of its profit-seeking enterprise income tax payable for up to 25% of its total funds invested in research and development for a period of five years from the time it is subject to that tax.
4. Tax incentives for investment in new machinery and equipment: A biotech and pharmaceutical company that invests at least TWD10 million up to TWD1 billion in one year in new machinery, equipment, or system for manufacturing will receive a 5% reduction of its profit-seeking enterprise income tax for that year or 3% reduction of the same tax for three consecutive years, and the tax reduction is up to 30% per year.
5. Tax reduction for corporate shareholders investment: A profit-seeking enterprise that makes capital investment by cash in any biotech and pharmaceutical company will receive a reduction of its profit-seeking enterprise income tax for 20% of its investment, up to 50% thereof per year. Moreover, the contract development and manufacturing companies engaged in biotech and pharmaceuticals to which a profit-seeking enterprise makes investment are limited to those that are not listed on the Taiwan Stock Exchange nor on the Taipei Exchange, or those TWSE or TPEX listed companies that have been incorporated for less than ten years.
6. Tax reduction for individual shareholders investment: For any individual shareholder who makes investment in cash in one biotech and pharmaceutical company that is neither listed on the Taiwan Stock Exchange nor on the Taipei Exchange, the individual shareholder can receive an income tax reduction up to 50% his/her investment for two years, provided that his/her investment is more than TWD1 million and his/her shareholding in that company continues for three consecutive years. The tax reduction is up to TWD5 million per year.
7. Tax benefits to high-level professionals and technology investors: The high-level professionals who acquire shares as considerations and technology investors who acquire shares through exchange of technology or those who acquire shares by holding share subscription warrant and have held their shares and taken up employment or provided technical services for two consecutive years may choose to have the tax on them to be levied on the basis of the "actual price at the time of transfer" or "then-current price or the actual price at the time of purchase", whichever is lower.

Greenlight to the amendment of the Act for the Development of Biotechnology and Pharmaceutical Industry is a milestone for the development of Taiwan's biotech and pharmaceutical industry, which will bring new energy to the industry, spur advanced medicine and cross-sector collaboration, develop high-tech products, facilitate equal development of R&D and manufacturing, invite private investments, and strengthen the incentives to talent retention and talent recruitment. (Released 2021.12.21)

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## *Taiwan High-Tech Industry News*

### **E211216Y5**

#### **01 TSMC unveils N4X process technology for high performance computing products**

TSMC (Taiwan Semiconductor Manufacturing Company), the world's leading contract manufacturer of semiconductor chips, announced on December 16, 2021 that it has tailored the new N4X process technology for the demanding workloads of HPC (high performance computing) products, which is TSMC's first process technology aimed at high performance computing and represents the ultimate performance and maximum clock frequencies of its 5-nanometer family. The "X" designation denotes TSMC's technologies developed specifically for HPC products.

Leveraging its experience in 5nm volume production, TSMC further creates the N4X process technology by enhancing its technology with features ideal for HPC products. These features include the device design and structures optimized for high drive current and maximum frequency, back-end metal stack optimization for high-performance designs, and super high density metal-insulator-metal capacitors for robust power delivery under extreme performance loads. (Released 2021.12.16)

### **E211214Y5**

#### **02 Merck to invest 17 billion in Taiwan to scale up new production lines and R&D capacity of its electronic technology business sector**

Merck Performance Materials (Merck), a leading player in global science and technology, will invest a total of about TWD17 billion in Taiwan within next 5 to 7 years according to its 14 December 2021 press release. The capital fund which is the largest of Merck's investments in Taiwan will be used to scale up the new production lines and R&D capacity of its electronic technology business sector with focus on semi-conductor performance materials.

This 5-year investment is part of Merck's recently announced global growth initiative to put in a total of more than 100 billion TWD (3 billion EURO) worldwide in the R&D of foresight materials resolutions and relevant capital spending to drive and accelerate future growth of the electronic technology market.

Execution of this investment in Taiwan will be phased beginning with the building of Merck's first-ever Mega Site in the Kaohsiung Area of the Southern Taiwan Science Park in 2022. The Mega Site will be a brand new 15-hectre manufacturing center to fabricate semi-conductor materials according to the different stages of the product. The Mega Site will cover semi-conductor solutions in full range providing core materials for semi-conductor advance processing, including thin film materials, special gas, graphical and planarized materials.

Merck's current manufacturing plant in Kaohsiung (SAFC HITECH TAIWAN CO.,

LTD) will at the same time ramp up the production and R&D capacities of its electronic materials supply system and services as well as its production line of foresight system products for the storage and distribution of special gas and chemical materials. Construction of the manufacturing plant will commence in December 2021. The plant is scheduled to be commissioned by the end of 2022 to answer demand calls from customers in Taiwan and all over Asia.

In the meantime, Merck is developing a project to integrate and upgrade its semi-conductor R&D capacity and core capability in the Hsinchu area. An integrated R&D center with the capacity, capability and professionalism spanning full semiconductor process will be set up to provide customers with faster and more efficient services. The initial operation of the integrated R&D center will be the expanding of the CMP technology R&D and application laboratory by the end of 2021. For display materials solution, another focal point of the project, Merck will continue to invest in non-traditional display technology, expand the output capacity of display graphical materials and strengthen its display materials capacity and capability in Taiwan. (Released 2021.12.14)

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