

HIGHLIGHTS ON THE PROPOSED PATENT ACT AMENDMENT OF TAIWAN AND COPYRIGHT LAW AMENDMENT

As of November 2009, the proposed amendments to Taiwan’s Patent Act are pending the final review and approval of the Executive Yuan. These amendments are expected to proceed to the Congress for further deliberation in 2010. The key points for the amendments have been summarized as follows.

A. On Elements of Patent Infringement and Calculation of Claimable Damages

- 1.** The proposed amendment specifies that the infringer’s subjective intent or negligence is not a precondition of the request for removal and prevention of any threat of infringement; on the country, the infringer’s subjective intent or negligence is required to sustain a claim for damages of infringement.
- 2.** A new option of damages calculation by “reasonable amount of royalty” is introduced in the proposed amendment; that is, an aggrieved patentee in patent infringement occurrence may choose to calculate his/her damages based on the amount of royalty usually collected by licensing his/her patent. According to the current Taiwan Patent Act, to sustain claim for damages, the patentee shall produce proof to justify the loss he/she has suffered as a result of the infringement, such as, the lost profit or royalty, which always poses challenges to the patentee when fulfilling burden of proof and thus weakens the patentee’s entitled rights.
- 3.** Furthermore, according to the proposed amendment, the current provision that “the patentee may claim separately for damages at a reasonable amount in case the business reputation of the patentee has been downgraded or injured as a result of the infringement” is removed and should be governed by the relevant provisions of Taiwan Civil Code, namely, the first paragraph of Article 195 thereof providing that the injured person may claim for a reasonable amount of pecuniary compensation and also for taking proper measures for the rehabilitation of his/her reputation. However, for a victim corporate person to which spiritual loss never occurs, the court, in practice, would recognize an apology notice run on newspapers as a method of reputation rehabilitation and no claim for compensation is allowed.
- 4.** In addition, the current provision with respect to “the amount of damages not more than triple damages” in case of intentional infringements is repealed.

B. On Compulsory Licensing

- 1.** Definition and wording for certain terms will be revised, e.g. the Chinese version of the term “compulsory licensing” is to be revised to be in line with the English version of the term;
- 2.** The proposed amendment to the Taiwan Patent Act classifies compulsory

licensing into two categories, including (a) in cases of national emergency or otherwise urgent in nature which necessitate the grant of compulsory licensing to the government mainly concern urgent national needs and/or public interests, in which case, the compulsory licensing will be granted on an emergency basis on the presidential order or the authorized competent authority's decision; (b) in cases that the Patent Authority upon receipt of application determines it is necessary for compulsory licensing to be granted; this category is for general compulsory licensing;

3. Proposed amendment to general compulsory licensing will be introduced as follows:

3.1 The Patent Authority may grant compulsory licensing in consequences of unsuccessful licensing negotiation on reasonable commercial terms after negotiating for considerable period of time, public non-commercial use, and re-invention, etc...

3.2 Under the current Patent Act, the Patent Authority may grant compulsory licensing for curing patent holder's activities which give rise to unfair competition. However, such granting of compulsory licensing must be based on a final and irrevocable decision by the court or the Fair Trade Commission (FTC). Under the proposed amendment, the Patent Authority can approve/disapprove the applications for grant of compulsory licensing based on a decision which expressly indicates the grant of the compulsory licensing is imperative. In other words, the proposed amendment repeals *final and irrevocable* from the provision; the Patent Authority can grant compulsory licensing when they find the situations call for such grant.

4. Further, instead of the three-month period given to the patent holder for response under the current Patent Act, it is proposed that the time limit for answer will be specified to be within an appropriate period and the amount of reasonable compensation payable to the patent holder will be indicated in the notice of grant of compulsory licensing together with the cause(s) acceptable for applying for withdrawal of the grant.

C. *On the Design Patent Regime*

1. Change of title of the regime:

The new design patent regime will be substantially changed under the proposed amendment to the Taiwan Patent Act. First of all, the Chinese title for design patent is proposed to be changed from “新式樣專利 (New Design Patent)” to “設計專利 (Industrial Design Patent)”.

2. Introduction of patentability of partial design:

The amendment proposes to put in place the patent regime of partial design to protect partial designs. That is to say, partial designs will be patentable subject matters.

3. Associated design patent regime abolished; derived design regime introduced:

(1) Similar designs derived from the same design concept or subsequent improvements on the same design are no less valuable than the original design and should be equally protected. Under the proposed amendment, the applicant who has filed applications seeking patent on the similar designs each must designate one from among them as the original design with the others each a derived design. The patent right in one derived design will be independent from that in another, all of the derived patent rights will be equally protected, and may be enforced separately with each derived patent retaining a scope of similarity. In other words, the derived patent regime is very different from the current associated design patent regime in terms of the scope of protection, enforceability and enforcement of rights as well as the time limit for filing.

(2) Under the proposed amendment, a derived patent is protected to a substantial extent in that it may be enforced independently, shall extend to the relevant scope of similarity, and survive the extinguishment of the patent right in the original design (by reason of a successful invalidation action or failure to pay the annuity due or otherwise).

4. Computer-generated icons (Icons) and graphical user interface (GUI) as patentable subject matters:

The Icons and GUIs which are 2D images shown on the computer monitor with visual effects will be patentable subject matters under the proposed amendment.

5. Compositions of articles as patentable subject matters:

Articles composed as a whole is not patentable under the current Taiwan Patent Act. Under the proposed amendment, where two or more articles which are classified in the same class under the International Industrial Design Classification are commonly sold or used as a whole, they as a whole may be the subject matter of a design patent application. For the purpose of patent right enforcement, neither the design patent right nor the articles which are considered as whole for patentable subject matter may be separated or divided.

D. *On the Invalidation Regime*

The following substantial change is proposed:

1. *Ex officio* invalidation by the Patent Authority is abolished. Where more than one request for invalidation have been lodged on the same patent, the Patent Authority may combine the requests for examining and making the decision. The Patent Authority will be vested with the power and authority to investigate to the extent relevant to the request for invalidation request at hand.

Removal of the regime of invalidation by the Patent Authority acting *ex officio* is proposed for whether or not a patent being challenged should be invalidated should be reasoned and decided on based on the attacks and defense presented by the

challenging party and the patentee of the challenged patent. Under the proposed amendment, the Patent Authority may look into the reason and/or evidence not presented by the challenging party without regard to the relevant argument presented by the parties.

2. No post-filing change or addition to the demands raised in the request for invalidation will be allowed. The Patent authority's *ex officio* notification of amendment needed to the party seeking the invalidation will be removed.

Further, the demands of the request for invalidation must clearly identify the target claim(s) of the challenged patent so the scope of invalidation may be duly defined and for the same purpose, no change or addition to the demands will be allowed after the request for invalidation is filed. Also, the Patent Authority will issue no more any *ex officio* notice to the party seeking the invalidation to amend its request for invalidation.

3. Additional legal grounds for lodging an invalidation action:

The proposed amendment adds these to the acceptable grounds for lodging an invalidation action: (1) where the same applicant who filed an invention patent application and a utility model application on the same subject matter on the same day failed to indicate which of the patents to retain in due course or the utility model issued no longer exists before the invention patent is examined and decided on; (2) where the specification of the post-division application exceeds the scope of claim disclosed in the original application; (3) where the correction of translation exceeds the scope of claim disclosed in the original foreign-language specification; (4) where the scope of claimed disclosed in the Chinese specification produced as an amendment exceeds the scope of claim disclosed by the original foreign-language specification; (5) where the correction made exceeds the scope of claim disclosed upon application; (6) where the correction of translation incorporated in the amendment exceeds the scope of claim disclosed by the original foreign-language specification; (7) where the amendment substantially expands or changes the specification as of the publication of the application; and (8) the scope of claim of the post-conversion invention patent application exceeds that disclosed in the specification of the original application.

4. Challenge of a portion of the claims in a patent will be possible and the Patent Authority may separately invalidate the challenged claim(s):

Under the proposed amendment, a patent may be challenged in part and as partial challenge may stand in part and be denied in part based on a claim-by-claim examination of the grounds for the invalidation action, the Patent Authority will also reason its decision on the invalidation on an itemized basis. Also, the Patent Authority may invalidate the challenged claim(s) of a patent separately based on the result of the successful invalidation action.

5. *Res judicata*

Where the Patent Authority has duly answered the challenge of its decision regarding

certain evidence and the relevant issues have been examined and decided on by the Intellectual Property Court, no invalidation action on the same patent by virtue of the same fact and the same evidence will be allowed.

E. *On Making Amendment*

1. “Supplement” and “amendment” will be combined as “amendment”.
2. Repealing of the current Patent Act regulation which governs the time limit for the applicant to make voluntary amendments is proposed. Therefore, the applicant will be able to file an application for making amendments at any time before the patent is granted by the Patent Authority.
3. Including mistranslation as a cause for making amendments:

Under the current Patent Act, a patent applicant cannot file an application for amendments on account of mistranslation(s), whereas the proposed amendment includes mistranslation as a cause of making amendments. That is to say, allowable causes for making amendment will be broadened.

4. Introduction of the *Final Notice* regime:

In order to prevent unnecessary prolonged examination time spent as a result of the applicant’s numerous filing of applications for making amendments, the proposed amendment will provide under paragraph 2, Article 46 that after receiving service of the notice issued by the Patent Authority, the applicant can only make amendments within the specified time limit stated on the examination opinion notice. However, there is no restriction on the number of amendments which the applicant can file. The proposed amendment will include a provision that governs filing applications for making amendments regarding claims. That is to say, after the Patent Authority has served the final notice to the applicant, further amendment can only be made within the specified time limit stated on the notice on the grounds of deleting the number of claims, narrowing the scope of the claims, correcting error(s) made, and providing explanations of obscure description(s). The Patent Authority has sole discretion in determining to or not to issue the *final notice* to the applicant.

F. *On Animal and Plant Patent*

1. Animals and plants will be patentable subject matters for inventions, and the provision of current Taiwan Patent Act is repealed that essentially biological processes for production of animals or plants shall not be granted invention patents.

Under the extended protection, plasmid containing animal and plant genes, animal and plant cells, animal and plant tissue culture materials, animal and plant organs, animals and plants per se, non-essentially biological processes of producing animals and plants and their relevant purposes are all patentable subject matters. Under the proposed amendment, the essentially biological processes for production of animals

and plants will be no longer excluded from patentability, but is still highly limited because the process for producing plants or animals is mostly affected by random factors, consists of more natural phenomena and less human or technical intervention, which causes so poor reproducibility that it lacks applicability and inventive steps. On the other hand, processes of human cloning and producing chimeras from totipotent cells fall out of patent protection for being contrary to public order and morality.

2. Revisions are made to the provision that “the effect of an invention patent right shall not extend to the invention that is put into practice for research, educational or experimental purposes only, with no profit-seeking acts involved therein” as provided in the current Patent Act:

The foregoing provision is deleted and two additional circumstances are held out of the effect of patent right: “acts done privately for non-commercial purposes” and “acts required for application of an invention for research or experimental purposes”.

(1) “Acts done privately for non-commercial purposes” refer to non-public acts, including non-public personal acts or those done for household use, and excluding the act of hiring any third person to put into practice any other person’s patent;

(2) “Acts required for practice of an invention for research or experimental purposes”: This is added to include into patent protection the acts done for experimental purposes relating to the subject-matter of an invention, and such acts will escape restriction of “non-commercial purpose” requirement, to the extent that they must be directly related to a research or experiment.

In addition, even though Taiwan Plant Variety and Plant Seed Act provides that plant variety right shall not extend to the act of breeding plant varieties (breeder’s exemption from liability), a breeder’s act of breeding by using an entire patented plant or any part thereof should be examined on a case-by-case basis to determine if it meets the required research and experiment purpose that is free from plant variety right.

3. Patent right will not extend to the biological materials obtained from propagation or multiplication of patented biological materials where application of such patented biological materials eventually and necessarily leads to propagation or multiplication:

Due to the characteristics of animal/plant propagation, the scope of effect of animal/plant patent right and patent right exhaustion must be precisely defined.

For biological material that eventually leads to propagation of other biological materials after being sold, the scope of patent right exhaustion includes the biological material itself and the propagated biological material obtained directly from the first propagation, but not that resulting from the second propagation by using the propagated biological material obtained from the first propagation.

In example of gene-modified papaya seed, the patent right thereof will not extend to the papaya tree and papaya fruit, the necessary and eventual result of propagation of the gene-modified papaya seed after being legally sold. However, for the papaya

fruit that may not eventually lead to multiplication after being sold and is sold for edible purpose only, the scope of its patent right exhaustion includes the papaya fruit itself only.

4. The effect of plant patent right shall not extend to farmer's act of keeping for self-use:

"Keeping for self use" refers to the farmer's use of the harvested materials, including saving, using, and planting for propagation purpose, except for exchange of seeds. The plants farmer can save for self-use are limited to those plant species published by the Competent Authority as provided in Taiwan Plant Variety and Plant Seed Act.

5. Where a plant is granted a patent right and variety right concurrently and both of which belong to two different holders, the holders should negotiate for licensing. If negotiation ends without a resolution, an application for compulsory license may be filed by the variety holder:

After plants become patentable subject matters as proposed in the amendment, concurrence of patent right and variety right for a plant belonging to different holders is more likely occur. To put his/her right into effect, the variety right holder may apply for compulsory license on the patent right on condition that the plant variety constitutes significant technical progress of more considerable economic interest compared with the plant patent. Moreover, the compulsory license granted to the variety right holder should be transferred, succeeded, licensed, or put in pledge together with the variety right.

G. On the Utility Model Patent Regime

1. Issue of patent to applicant of the earliest of applications typified; legal effect of different patent applications filed the same day on the same subject matter:

Where different applicants have each filed an invention patent application on the same subject matter, the patent will be issued to the applicant of the earliest of the applications. The same is to apply where invention patent applications and utility model patent applications have been filed on the same creation by different applicants. However, in cases where the invention patent and the utility model patent application were filed the same day by the same applicant, the Patent Authority shall notify the applicant to designate which patent to retain if the utility model patent sought for is issued before the invention patent application is approved for grant. Failing to make the said designation within the given time period, the applicant will not be issued the invention patent. Further, the utility model will be deemed non-existent *ab initio* upon the applicant's indication of his/her decision to retain the invention patent. Moreover, in cases where the utility model patent right has automatically extinguished or been invalidated before the invention patent application is granted, the examination of the invention patent application will be discontinued and no patent will be issued so to prevent the subject technology which has entered the public domain from being monopolized.

2. Patentable subject matters changed from the form, construction or *installation* to the form, construction or *combination* of an article:

In consideration of literal accuracy, the designation, *installation*, is amended to *combination* to include equipment, devices, etc.

3. Where the amendment manifestly exceeds the scope of claim disclosed in the original specification, scope claimed or illustrations presented upon application, no patent will be granted in conclusion of the formality examination.

4. Limitations on conversion of an application originally filed for a utility model:

(1) No conversion of an application originally filed for a utility model will be allowed upon expiration of a 30-day period from the date of service of the written decision denying a patent on the original application.

(2) The scope of claim of a post-conversion application must not exceed the scope of claim disclosed in the original specification, scope claimed or illustrations presented under the original application.

5. The Patent Authority will produce the technical report based only on the materials and information in the database. Pre-filing public use will not be considered.

6. A utility model patent application with the request for amendment answered shall undergo a formality examination only except in cases where the amendment has been made in response to an invalidation action and the relevant decision shall be served to the applicant in writing. For a utility model patent application pending an amendment requested in response to an invalidation action, however, as the dispute involves the substantive aspects of the patent right, the application shall undergo a substantive examination in conjunction with the invalidation action.

H. *On Divisional Applications*

1. Under §34, para.2, subpara. 2 of the proposed amendment:

The specified time limit for the applicant to file for divisional applications are as follows: a) before the re-examination decision on the original application is rendered; b) within thirty (30) days from the date the written approval decision is served. However, no further divisional applications can be filed if the re-examination decision is rendered.

2. Under §34, para.6 of the proposed amendment:

2.1 In cases that a divisional application relating to the original filed invention patent application is filed in accordance with para.2, subpara. 2, although the examination procedures are finished when the written decision is rendered, the divisional application can still proceed from the said previous examination procedures in the original invention patent application. The purpose of such provision is to

expedite the examination procedures in the divisional application by avoiding repetition of the same procedures of the original patent application.

2.2 For a divisional application filed after the approval written decision is rendered for the original patent application, the original patent application should not be affected by the aforesaid application. In other words, filing for divisional application after the original patent application has obtained approval from the Patent Authority can only be based on the technical contents of the original patent application; no divisional application can be filed based on the technical contents of the patent application after obtaining approval. Publication of the specification of the original patent application shall be based on the specifications and drawings which were approved by the Patent Authority during the original patent application.

In respect of the proposed amendment, the major differences are to include regulations pertaining to filing of divisional application after the original patent application has been approved by the Patent Authority, and to relax on the time limit for filing divisional applications.

I. *On the limitation of operability of an invention patent right*

1. The proposed amendment to the Patent Act substantially changes the scope of acts and activities to which an invention patent right shall not extend:

(1) Non-public acts for non-commercial purposes;

(2) A third party who has, in good faith, practiced the patent or completed the necessary preparation for practicing the patent after the patent right extinguished and before the same patent right is reinstated;

(3) The research, experiment or otherwise needed to obtain the approval of pharmaceutical inspection and registration required under the Pharmaceutical Affairs Act or to obtain the necessary marketing approval of foreign pharmaceutical;

(4) The biomaterial directly obtained from reproducing the biomaterial which is manufactured by or manufactured with the consent of the patentee and sold thereafter, provided that such directly obtained biomaterial shall not be used for the purpose of reproduction; and

(5) Farmers' act of keeping for the purposes of self-provided reproduction the patented reproductive plant material manufactured by or manufactured with the consent of the patentee and sold thereafter will be exempt from the enforceability of the relevant invention patent right.

2. Research/experiment exemption

The exemption from the operability of the patent right provided is to protect the researches and experiments based on the invention patent thereby promoting the improvement or innovation of the invention irrespective of whether or not the



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research and/or experiment is non profit-seeking. Accordingly, the precondition of the *non-profit seeking* will be removed.

COPYRIGHT ACT AMENDMENT

■ On ISP Liability Limitation and Notice/Take-down Mechanism

The most recent amendments to the Taiwan Copyright Act have been promulgated and come into effect since 13 May 2009 with the following key points:

1. “Internet service providers” (ISPs) are clearly defined into the following four categories: connection service providers, caching service providers, information storage service providers, and search service providers;
2. ISPs should be held free from civil liabilities in online infringement occurrences (limitation on liability for ISPs) where the ISP has (1) taken and implemented copyright protection measures, (2) informed users that service in whole or in part would be terminated if any user has been notified of alleged infringement up to three times, and (3) publicly announced contact information for receipt of notification documents, etc.;
3. ISPs should be held not liable for damages to a copyright holder for copyright infringement committed by any user of the service provider after fulfilling the following steps: indeed practices the “Notice-and-Take Down” mechanism specified in the ISP liability limitation amendment and expeditiously removes the allegedly infringing content or related information of the alleged infringement by the user upon notification by a copyright holder;
4. ISPs shall bear no damages liability to the allegedly infringing user for removing the allegedly infringing content;
5. The allegedly infringing user who denies such infringement occurrence as alleged by the copyright holder may submit “counter notification” documents to ISPs with a request to restore the removed content;
6. Upon receipt of a counter notification described in the preceding paragraph, the ISP shall immediately forward such documents to the copyright holder. An ISP has no obligation to restore the removed content where the copyright holder provides the ISP with evidence in regard to the civil or criminal litigation filed against the user within 10 business days beginning from the day after that of receiving counter notification from the ISP as described in the foregoing. However, if the copyright holder fails to provide such evidence, the ISP shall, within no more than 14 business days beginning from the day after that of forwarding the counter-notification documents, restore the removed content or related information;
7. Any person who submits to ISPs with a false notification or counter notification shall be held liable for damages incurred to any other person.



Taiwan International Patent & Law Office

Taiwan International Patent&Law Office

7th Floor, We Sheng Building,

No.125, Nanking East Road, Sec. 2,

P.O.BOX 39-243, Taipei 10409, TAIWAN

Tel: 886-2-2507-2811 Fax: 886-2-2508-3711·2506-6971

E-mail: tiplo@tiplo.com.tw

Website: <http://www.tiplo.com.tw>