

COORDINATED FILING STRATEGY : TAIWAN, US, AND CHINA

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I. Facts

Patent examination time line in Taiwan



shorter than ever

Initiatives taken by Taiwan IPO in facilitating foreign-national applicants seeking patents in Taiwan

1

Filing date could be secured by submitting specification and claims in original languages (English, Japanese, Germany, French, Arabic, Portuguese, Spain, Russian, Simplified Chinese and Korean).

2

1-year Priority Grace Period is granted to applicants of member states to the WTO except in China for non-Taiwan citizen .

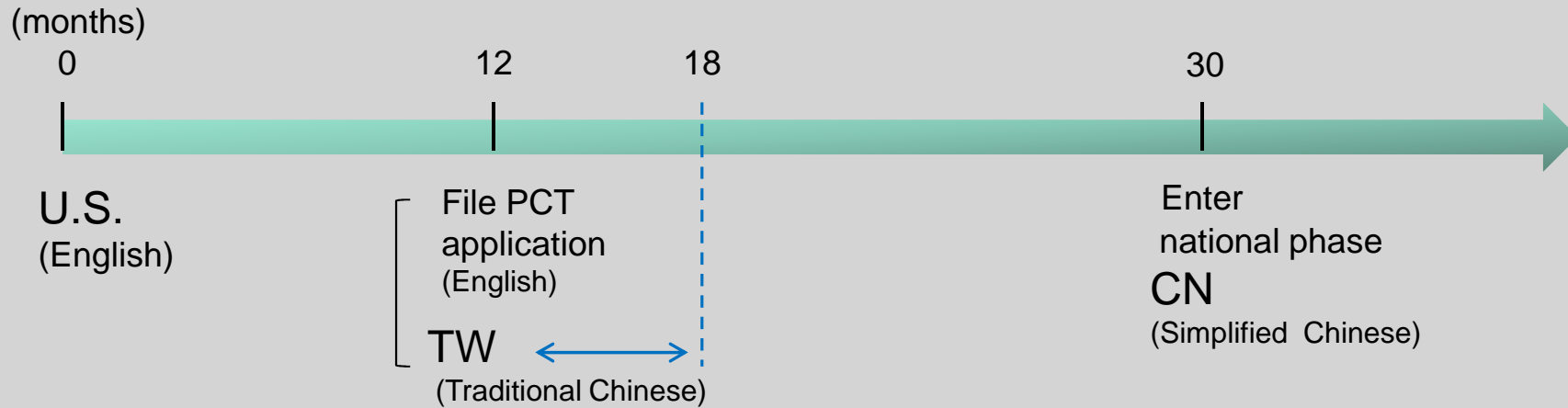
3

Traditional Chinese translation of specification must be supplemented within 6 months after the filing date in Taiwan.

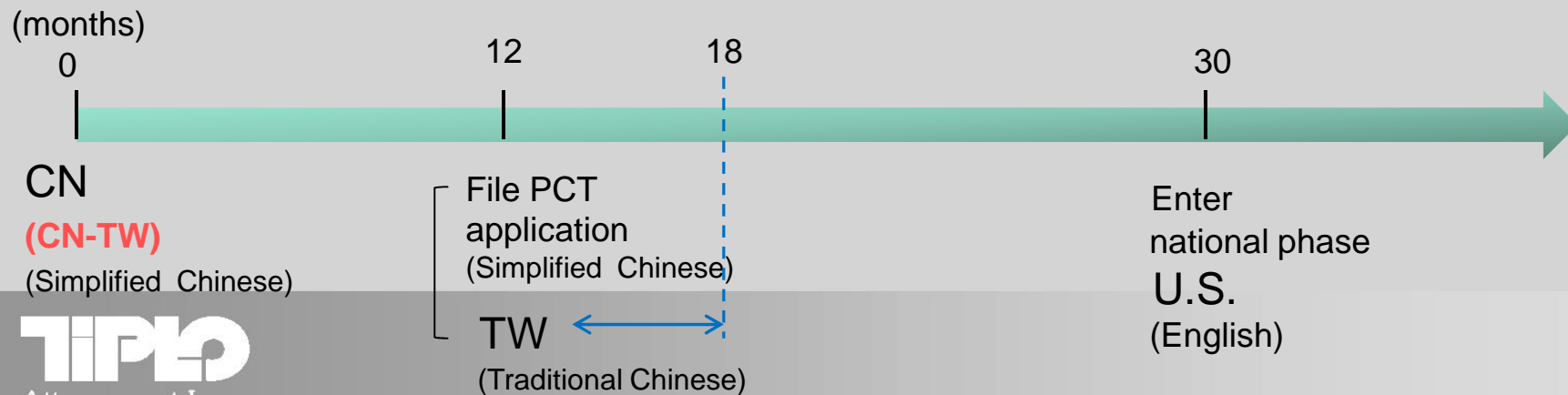
What it used to be

- Until about two years ago, the landscape was rather different where the Taiwanese examiners mostly tend to rely on the citations laid open in the USPTO website when drafting OA(s) against a certain patent application filed in Taiwan.

Scheme 1 : US-national subsidiary or branch as applicant



Scheme 2 : TW parent company as applicant



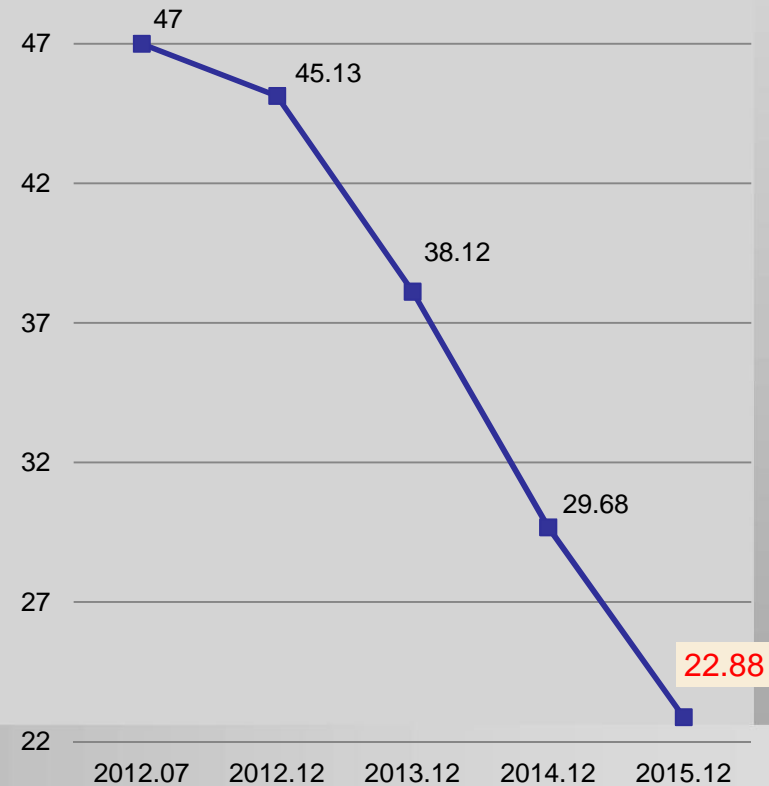
Now

- 1) The average first OA pendency and the average disposal pendency in December 2015 was **14.99** and **22.88** months from the time the requests for substantive examination.

Average First Office Action Pendency(Months)



Average Disposal Pendency(Months)



Now

- 2) More and more patent applications filed in Taiwan tend to be granted or issued OA earlier than their corresponding US or Chinese applications and this allows the examiners in Taiwan IPO a critical leeway to make the best of their search for relevant citations to determine the patentability of the application at issue.

Now

- 3) Applicants seeking applicability of the Taiwan-US PPH agreements and AEP are rapidly increasing in number owed to the acceptability of Taiwanese application as the basis for them to request for applicability of the PPH agreement or AEP in the U.S. (based on TW-SUPA).

Programs to accelerate patent examination : Accelerated Examination Program (AEP)

Applicable on request on account of

- the grant of a corresponding foreign application in conclusion of substantive examination;
- the USPTO, JIPO or EPO has issued an OA and the relevant search report during substantive but has yet to grant the foreign counterpart of the application;
- Meeting commercial exploitation needs; or
- Invention being claimed being green energy technology

Programs to accelerate patent examination: Patent Prosecution Highway -PPH

Taiwan-US PPH Pilot Program

2012.9.1 formally commenced after one-year trial period as of 2011.09.01

- For Taiwan applicants who file Taiwanese applications based on their first-filed US counterpart applications, they can request to undergo accelerated examination under PPH if the USPTO has first issued the notice of positive examination results.



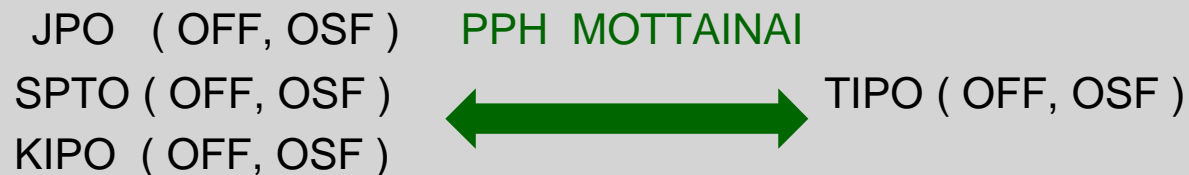
Taiwan-Japan PPH : Launched as of 2012.05

Taiwan-Spain PPH : Launched as of 2013.10.01

Taiwan-Korea PPH : Launched as of 2015.07.01

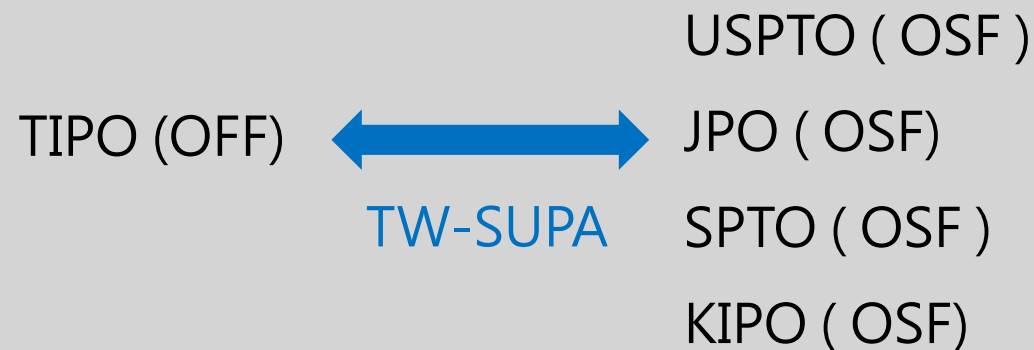
} PPH MOTTAINAI

- Applicants can request for accelerated examination under PPH with the other patent office based on the notice of positive examination results first issued by any of SPTO, JPO, and KIPO.



Programs to accelerate patent examination: TW-Support Using the PPH Agreement -TW-SUPA

- If the applicant files a patent application for an invention first with TIPO (Office of First Filing, “OFF”) and then files his/her foreign counterpart application for the same invention with any patent office of the PPH signatory countries, the applicant can submit required documents to TIPO to request for examination under TW-SUPA pilot program and the TIPO will conduct accelerated examination on the Taiwanese application upon request.
- Commenced as of 2012.03.01



Now

4) Statistics to invalidation actions and infringement litigation

---- Successful invalidation rate = 50% +_ 5%

| | Case number of invalidation actions | | | | Rate | | |
|------|-------------------------------------|-----------|---------------------|-------|--------|-----------|---------------------|
| | Denied | Sustained | Partially Sustained | Total | Denied | Sustained | Partially Sustained |
| 2011 | 474 | 480 | 0 | 954 | 49.69% | 50.31% | 0.00% |
| 2012 | 448 | 484 | 0 | 932 | 48.07% | 51.93% | 0.00% |
| 2013 | 337 | 429 | 113 | 879 | 38.34% | 48.81% | 12.85% |
| 2014 | 329 | 365 | 140 | 834 | 39.45% | 43.76% | 16.79% |
| 2015 | 255 | 298 | 103 | 656 | 38.87% | 45.43% | 15.70% |

Data Source: TIPO

Now

--- Success Rate of Validity Challenge in Patent Cases = 59.50%

| Success Rate of Validity Challenge in Civil Patent Cases (200807-201412) | | | | | | | |
|--|-----------------------|--|--|------------------|------------------|---|--|
| (Unit: case ; %) | | | | | | | |
| Types of Cases | | (1) Number of Cases Involving Validity Challenge | Validity Challenge Denied or Sustained | | | Rate of Validity Challenge in Cases Concluded with a Final Judgment | (3) Success Rate of Validity Challenge |
| | | | (2) Challenge Sustained | Challenge Denied | No Decision Made | | |
| Civil Judgments on Patent Cases | Total | 600 | 357 | 107 | 136 | 600/985*100=60.91% | 59.50 |
| | Invention Patents | 236 | 156.5 | 19.5 | 60 | | 66.31 |
| | Utility Model Patents | 321 | 188.5 | 69.5 | 63 | | 58.72 |
| | Design Patents | 43 | 12 | 18 | 13 | | 27.91 |

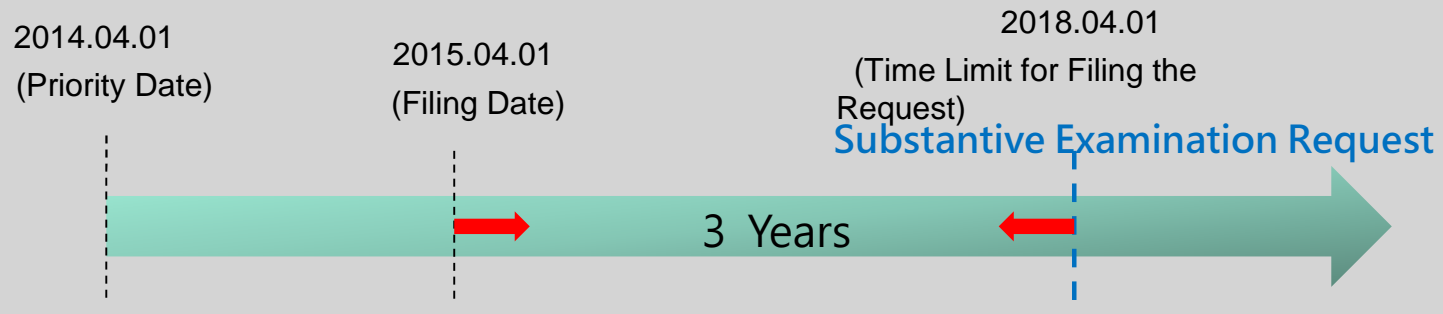
Note: The reasons for the court to not decide on the validity challenge (No Decision Made) are that the occurrence of alleged infringement has been sustained and established or that other claims of the plaintiff should be dismissed, in which circumstances it is not necessary to decide on the validity of the patent in issue

II. The countermeasures

1. Do the applicants really seek a very timely issuance of a patent?
2. Is it good to secure a patent issuance in the U.S. or China before TIPO grants the patent?
3. What to do to secure a solid enforceability of patent?

1 & 2 Suggested schemes for postponing patent application examination

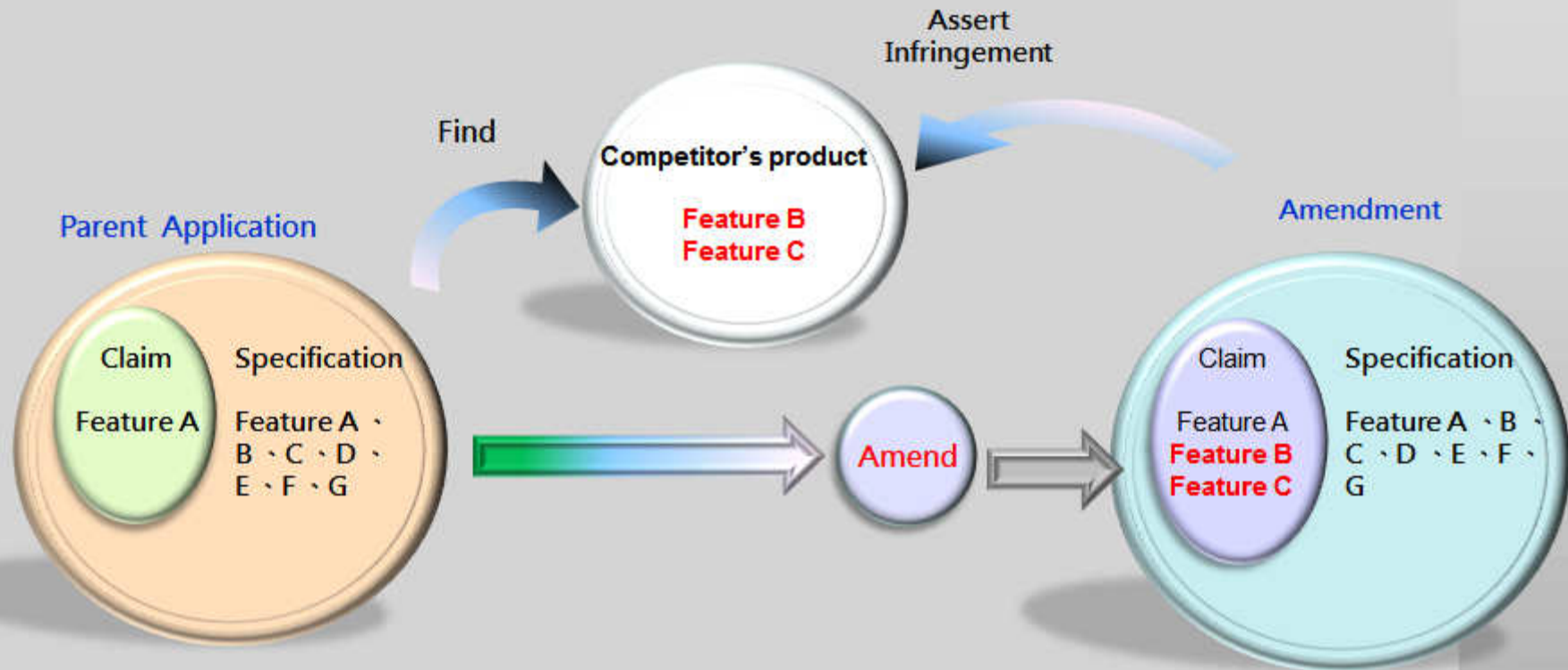
Scheme 1: File substantive examination request right before expiration of the time limit for filing such a request



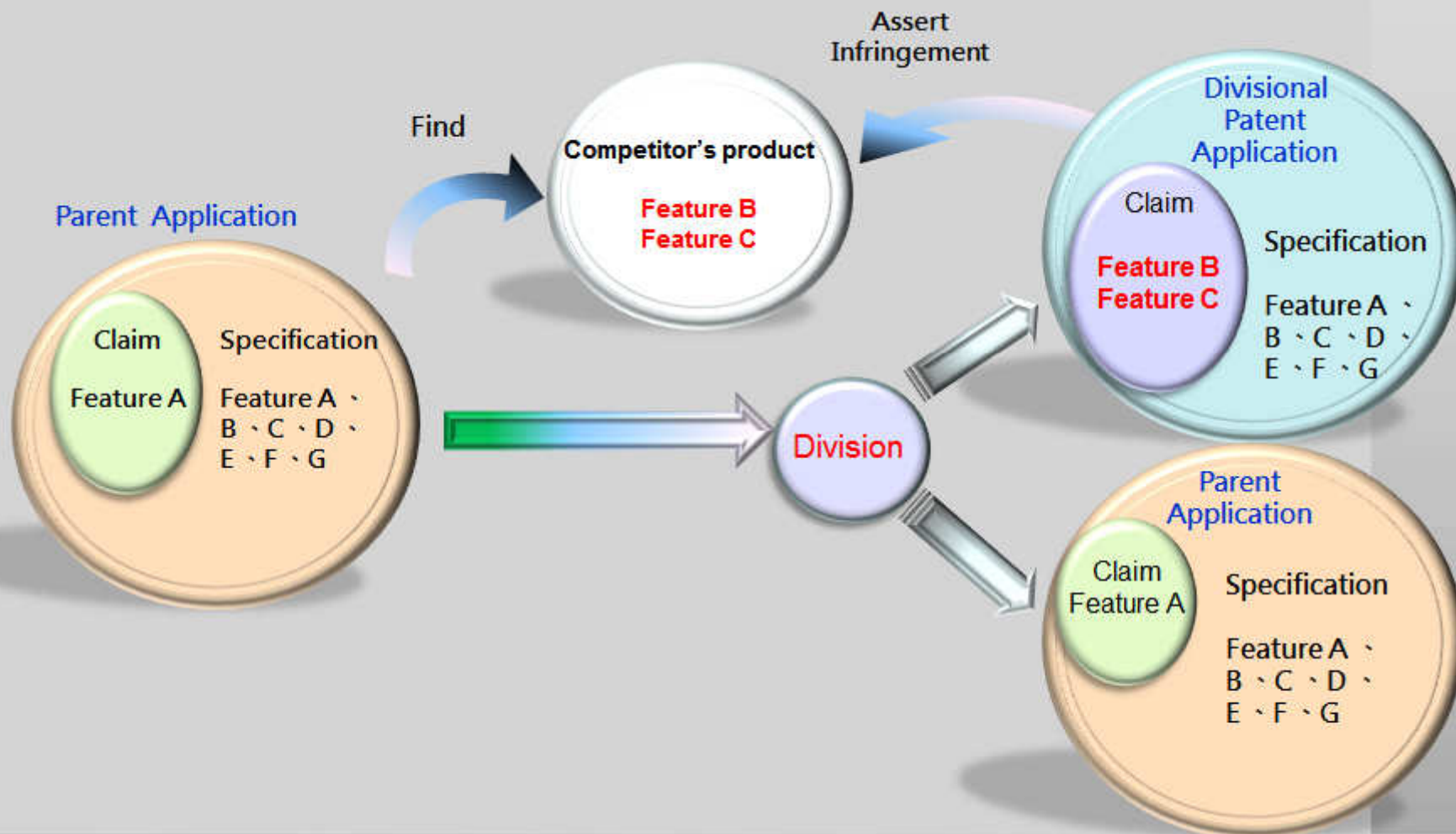
Scheme 2 : File substantive examination request while or after filing the patent application but also file a request for postponing the substantive examination (enforceable as of 2015.04.01)



3-1 Enlarge Patent Protection Scope by Amendment



3-2 Enlarge Patent Protection Scope by Divisional Applications



3-3 Statistics on Requests for Substantive Examination After Filing Date or Application Division for a Period from 2012.1.1. until Now (Taking Taiwan's Semiconductor Industry as an Example)

| Applicant | Cases Filed (Laid Open and Published) | Percentage of Applications with Substantive Examination Requests Filed after Filing Dates | Percentage of Requests for Divisional Applications |
|------------------------------------|---|--|--|
| Company A (Taiwan) | 848 cases | 5 cases (0.6%) | 1 case (0.1%) |
| Research Institute B (Japan) | 720 cases | 705 cases (98%) | 15 cases (2%) |
| Company C (Taiwan) | 1,514 cases | 85 cases (5.6 %) | 11 cases (0.7%) |

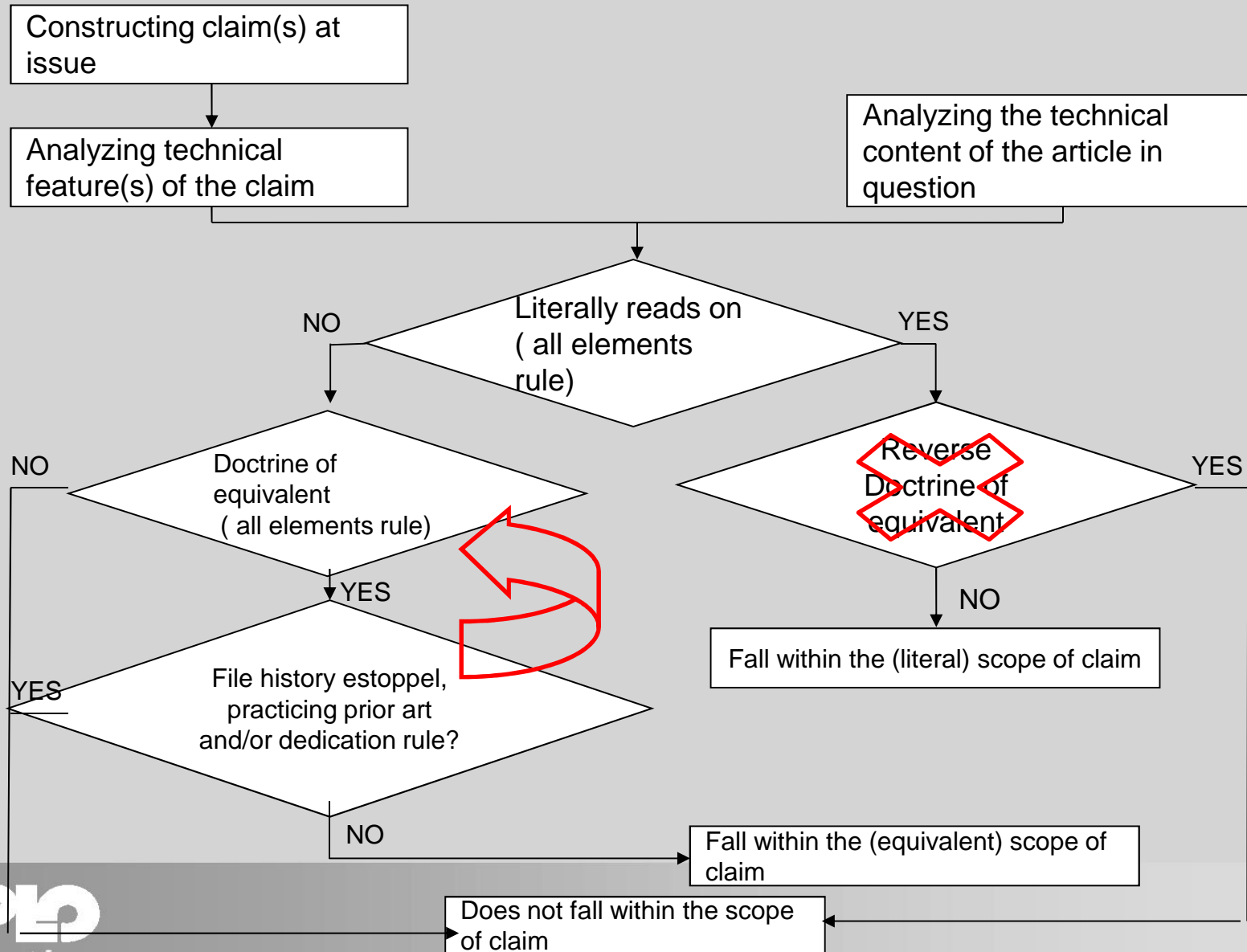
3-3 Statistics on Requests for Substantive Examination After Filing Date or Application Division for a Period from 2012.1.1. until Now (Taking Taiwan's Semiconductor Industry as an Example)

- Compared with Taiwan-based companies, foreign companies are more skilled in prolonging the time period for evaluating patent value by requesting for substantive examination after the filing date.
- For research institutions that launch no product for sale on market, it is a common strategy to prolong examination time period for evaluating marketability and for focusing on the patent applications which have more chances of patent licensing.
- Divisional applications can increase patent numbers and quality, and the increased scope of claims of divisional applications can cover infringing products, but increased number of divisional applications will also raise the application fees and subsequent patent annuity. Thus, companies/research institutions with plenty budgets are more likely to take division of patent application as a strategy.

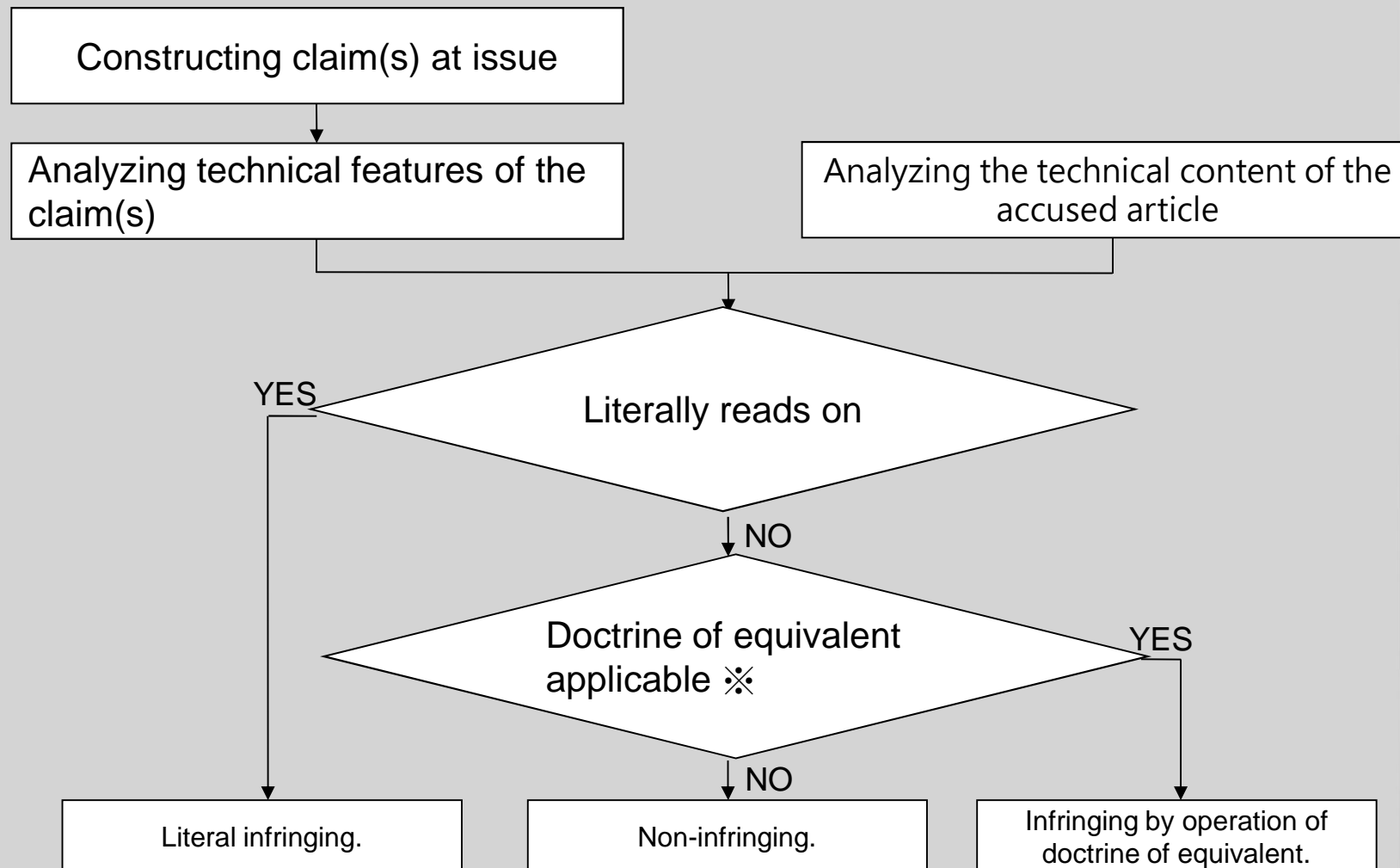
III. Enforceability

1. Pre-action verification of legal capacity of plaintiff
2. Key Points to Determine Infringement Or Non- Infringement : Strategy and General Advice
3. Indirect infringement

2-1 Determining infringement or non-infringement of invention and utility model patents (Under the Key Points of Patent Infringement Analysis (2004))



2-2 Determining infringement or non-infringement of invention and utility model patents (Under the Key Points to Determine Infringement Or Non-infringement (2016))



✘ Conditions restricting operation of the doctrine of equivalent: all-elements rule, file wrapper estoppel, prior art exclusion, dedication rule.

2-3 Construction of special claim

1. Construction of product-by-use claims and general advice

Example: A casting mould for melting steel.....

Previous Patent Examination Guidelines

Key Points of Patent Infringement Analysis (2004)

All use features **are effective in defining** the scope of the claim.



Current Patent Examination Guidelines (2012)

Key Points to Determine Infringement or Non-infringement (2016)

If the use feature operates to affect the product the protection of which is being sought for (that is, the use implies the claimed product has certain specific structure and/or composition to which the use specified is applicable), the use feature **will be considered effective in limiting** the construction of the claim.

Countermeasure

Advisably, the use feature should be disclosed to the extent possible in the specification. Where necessary, the use feature may be introduced into the claims to overcome prior art, in which case, the use feature will more likely be determined as one that is effective to limit the construction of the claim.

2-4 Construction of special claim

2. Construction of product-by-process claims and general advice

Product-by-process claim

- In general, a product invention is defined by structure or property of the product. Unless the invention claimed can be adequately defined by no technical feature other than the process specified, no product-by-process invention may be claimed.

Example :

[Claim]

An extract of overground part of *Hedychium Coronarium* Koenig, which is obtained by a method comprising the following steps:

- (1) extracting the overground part of *Hedychium Coronarium* Koenig with a solvent to give a crude extract, the solvent being 70 to 100% ethanol; and
- (2) passing the crude extract through a column packed with an ion exchange resin using sequentially as eluent a solution containing water and ethanol in a ratio of 2:8 by volume and 95% ethanol.

2-4 Construction of special claim

2. Construction of product-by-process claims and general advice

Current Patent Examination Guidelines Key Points of Patent Infringement Analysis (2004)

- The scope of a product-by-process claim is limited to and only to the product manufactured by the process specified in the claim; and
- The novelty or inventive step test shall be for the product to fulfill, not the process.



Key Points to Determine Infringement or Non-infringement (2016)

- **Scenario 1: A true product-by-process claim**
Since the claimed product cannot be defined by its structure or property, the same product manufactured by a process other than the process specified is considered falling within the scope of the claims. (The process specified does not constitute a limitation)
- **Scenario 2: A product claim involving process definition**
The scope of such a claim is limited to the product manufactured by the process specified and excludes all the products manufactured by a process other than the process specified. (The process specified constitutes a limitation)

2-4 Construction of special claim

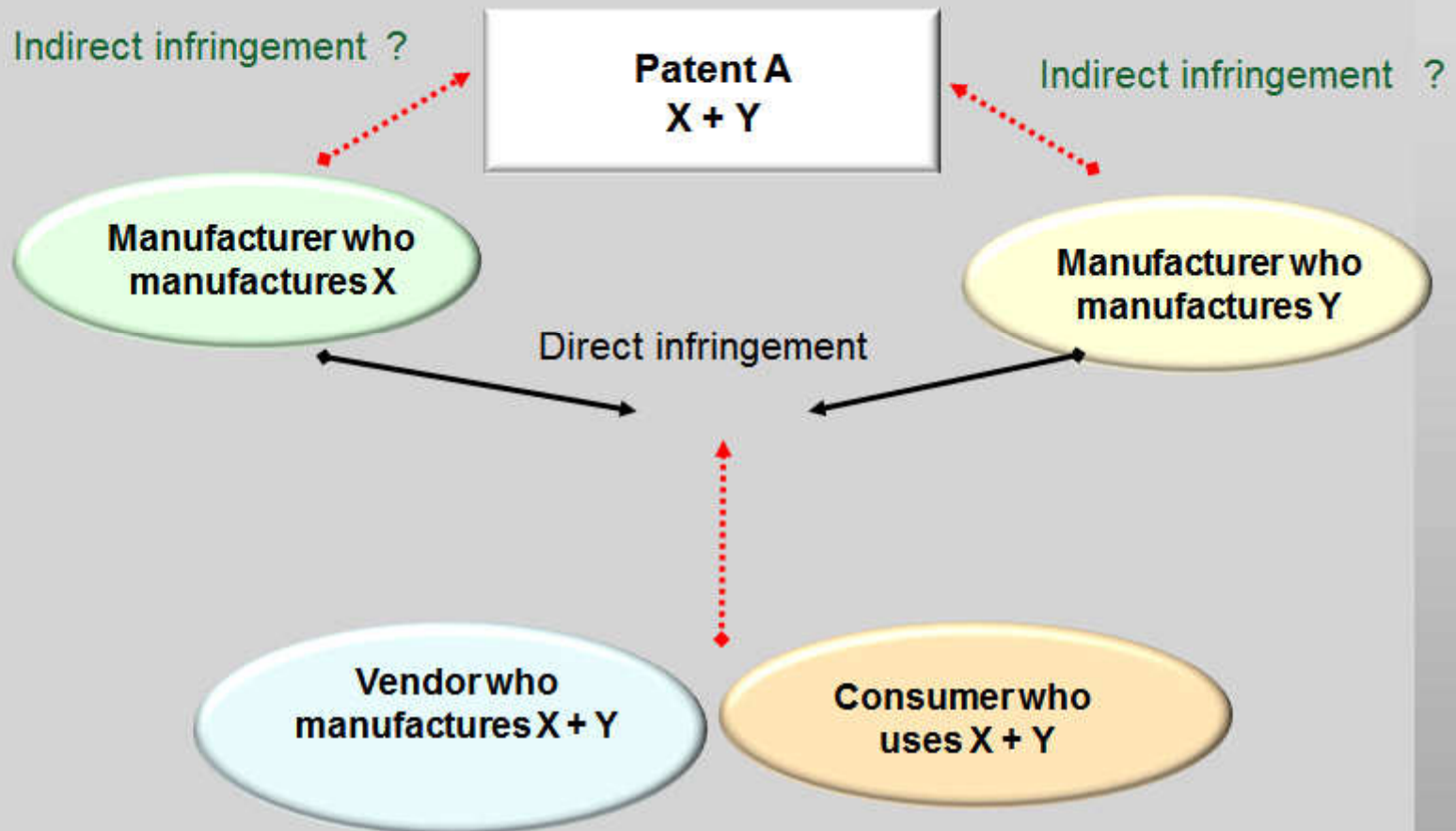
2. Construction of product-by-process claims and general advice

Countermeasure

- When responding to an objection, it is normally difficult to justify a product claim is a true product-by-process claim. Accordingly, almost all of the product-by-process claims will be considered as simply a product claim involving process definition.
- If the product claim cannot be justified as a true product-by-process claim, then later in the enforcement of the patent right. it is not easy to substantiate the infringement by the process manufacturing an accused product. As such, it is advisable to avoid product-by-process claims in the patent application.

3. Indirect infringement

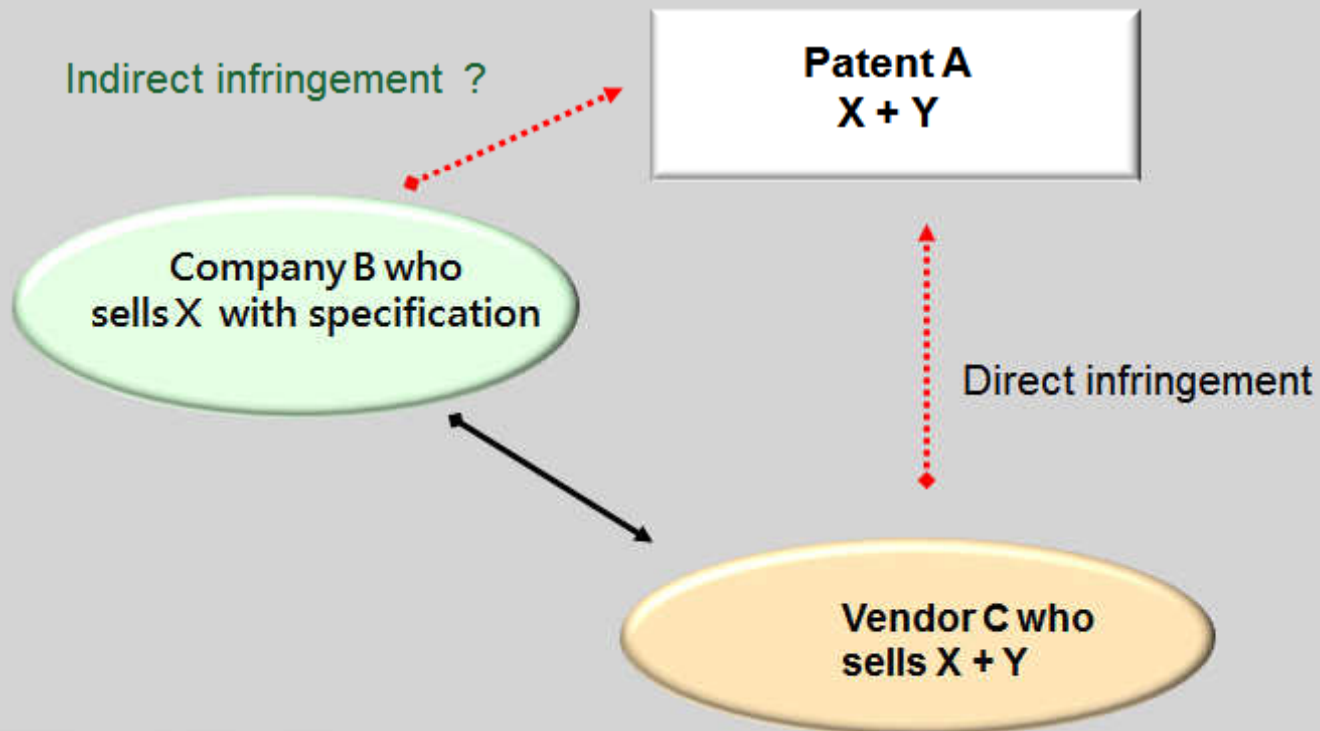
Indirect infringement is yet to be expressly defined in the Taiwan Patent Act



3. Indirect infringement

Case 1 : Patentee may cite joint liabilities for instigators and accomplices of a tort to seek relief against indirect infringers when and only when there exist direct infringers

IP Court decision of 99-Min-Zhuan-Su-Zi No. 59



3. Indirect infringement

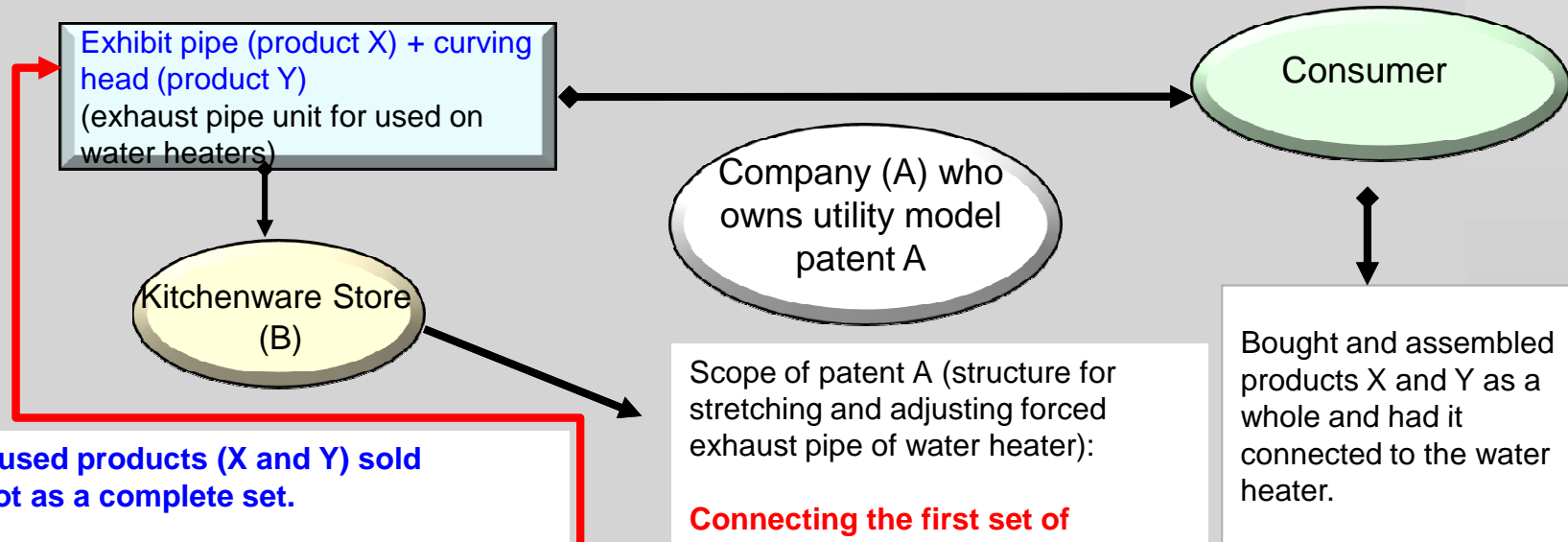
Case 1 : Patentee may cite joint liabilities for instigators and accomplices of a tort to seek relief against indirect infringers when and only when there exist direct infringers

- In case 99-Min-Zhuan-Su No. 59, the **court of first instance found existence of abetting infringement**. Reasoning:
 1. The product alone (power control IC) does not amount to an infringement upon the patent in issue due to lack of full elements. **However, every one of the technical features of the patent is fully described in the specification . Obviously respondent did successfully have a product made with literal all-elements technical feature described in claim 1 of the patent in issue.** Should it be any otherwise, respondent would not be able to produce the specification. That is to say, respondent has at least been engaged in the act of using.
 2. **The accused product sold with the accused specification has been commercially available for a long period time and, as a matter of course, there must be consumers who have bought it (with the specification) and therefore should be held direct infringers.**
 3. Respondent failing to exercise care resulted in the infringement alleged and commercial availability of the accused product with the accused specification. By doing so, respondent has infringed or caused another to infringe upon claim 1 of the patent in issue. **Obviously, what respondent did is the offense provided in paragraph one, Article 84 of the Patent Act and the tortious act provided in paragraph one, Article 184 of the Civil Code as well as aiding and abetting joint infringement provided in paragraph two, Article 185 of the same Code.** Respondent should also be held negligent and liable for failing to exercise due care as he could have informed himself of the patent right in issue.

3. Indirect infringement

Case 2: Direct infringement found in existence in broad sense

IP Court decision of Min-101-Zhuan-Shang-Zi No. 4 [2012]



B had the accused products (X and Y) sold separately, not as a complete set.

B argued

- 1) The accused products were sold separately, not as a complete set (two exhaust pipes combined with a curving head);
- 2) He did not teach/illustrate that the accused products could be used in only one way. Consumers are free to buy and use them separately.
- 3) Consumers who purchased the accused products did not necessarily use them on water heaters.
- 4) What he did could be held, at most, indirect infringement for which he is not held reprehensible at law.

Scope of patent A (structure for stretching and adjusting forced exhaust pipe of water heater):

Connecting the first set of exhaust pipe, the curving head and the second set of exhaust pipe sequentially at the exhaust port of the water heater, characterized in that :

At least one set of the exhaust pipes includes an inner pipe and an outer pipe movably connected and fit with each other, and relative outer ends of the inner and outer pipes are provided with a connecting portion respectively, so as to stretch and adjust the length of the exhaust pipes.

3. Indirect infringement

Case 2 : Infringement alleged sustained in broad sense.

- In case no. 100-Min-Zhuan-Su No. 101), the **court of first instance found NON-INFRINGEMENT** reasoning that
 1. The accused products are separate pipe units which may be assembled/connected in various sequence or into various sets while the patent in issue specifically defines the sequence in which the pipe units shall be assembled and connected. The accused products therefore do not literally read on the patent in issue.
 2. Given *application to water heaters* and specifically defined *pipes connection sequence* both being identified as the technical features of the patent in issue, the accused products cannot be held to fall into the literal scope of claim 1 of the patent in issue.
- On claimant's appeal, the **court of second instance found DIRECT INFRINGEMENT**, which decision became final with binding effects on Supreme Court's dismissal of respondent's appeal (case no. 101-Min-Zhuan-Shang-4). Reasoning:
 1. All-elements rule means **all of the technical features described in the claims of a patent can be read literally from an accused article**, not the other way around.
 2. An on-site inspection shows a complete set of the pipe units assembled may be connected to the heater regardless of the sequence in which the pipe units are assembled/connected.
 3. Respondent's product catalog and promotional literature both illustrate the exhaust pipe and curving head (accused products) both are **special pipe units for used on water heaters**. Further, the water heater as shown in the illustration has an exhaust pipe of 60mm in diameter which means the accused products have a diameter of about 60mm. In view of the above and there being no evidence to prove the accused products will never be assembled/connected according to the sequence specified in the patent in issue, the infringement as alleged exists.

3. Indirect infringement

Proposed amendment and prospect

- Since it is much unlikely to change the Civil Code to redefine the reprehensibility of a secondary doer as opposed to the primary doer of a joint tortious act , it has been proposed that the Patent Act be amended to cover indirect infringement or even expressly define indirect infringement as independent infringement for which the accused shall no longer be allowed zero liability on account of the lack of intent or negligence on the direct infringer's part.
- A person who has knowledge about certain article being an important element used by an invention patent and that article is useable and used for and only for practicing that invention patent will be held infringer of that invention patent if he/she offers for sale or sells that article.
- Relaxing the criteria for determining existence of likelihood of infringement : The patentee of an invention patent should be legally allowed to claim existence of likelihood and hence prevention of infringement against any person who makes accessible any article that is used by the key problem-solving technical means of the invention patent owned by the patentee.



TIPLD



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TAIWAN INTERNATIONAL PATENT & LAW OFFICE

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