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Global Legal Group

# The International Comparative Legal Guide to: Patents 2012

## A practical cross-border insight into patents law

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# Taiwan



J. K. Lin



H. G. Chen

## TIPLo Attorneys-at-Law (also Taiwan International Patent & Law Office)

### 1 Patent Enforcement

#### 1.1 How and before what tribunals can a patent be enforced against an infringer?

The Intellectual Property (IP) Court has jurisdiction over all patent infringement actions in Taiwan. Established on 1 July 2008 in New Taipei City, the IP Court is a specialist court intended exclusively for IP-related cases all over Taiwan. Before 1 July 2008, patent infringement cases were brought in district-level courts where the defendant was resident or located, or where infringing activities took place. Infringement proceedings are now commenced in the IP Court by filing a complaint with details of the parties, the cause of action and the relief sought.

#### 1.2 What are the pre-trial procedural stages and how long does it generally take for proceedings to reach trial from commencement?

The pre-trial (preparatory) procedural stages include (i) a preliminary review of the complaint to ensure procedural formalities are met and if not, requirement that they be remedied where possible, (ii) first exchange of briefs (i.e. service of the complaint on the defendant and service of the defendant's answer, which may contain procedural and substantive defences), (iii) designation of a Technical Examination Officer by the court where appropriate – the court typically finds a Technical Examination Officer necessary unless the patent-in-suit relates to an easily understandable technology, (iv) second exchange of briefs (i.e. exchange of written statements setting out disputed issues and admissions), and (v) preparatory hearing to confirm the disputed issues, determine the scope and order for evidence to be presented and fix the trial schedule. In general the pre-trial procedural stages will take about 4 to 6 months.

#### 1.3 Can a defence of patent invalidity be raised and if so how?

Yes, this is raised typically as part of the defendant's answer or other preparatory briefs, along with copies of documents supporting the grounds of invalidity. Absent exceptional circumstances, invalidity should be raised only during pre-trial (preparatory) stages.

#### 1.4 How is the case on each side set out pre-trial? Is any technical evidence produced and if so how?

Before the trial stage begins, the parties must submit written statements and supporting documents which relate to (i) facts and arguments based on the disputed issues, (ii) factual evidence to be presented and/or investigated, (iii) if applicable, grounds of invalidity and the prior art references relied upon, (iv) experts' reports, and (v) where the parties intend to call an expert witness at trial, background information of the witness. A copy of each party's written statements will be served on the adversary and the court will generally allow appropriate time (usually 2 to 4 weeks) for the adversary to prepare their response. Where invalidity is in issue, the court may exercise discretion to order the Taiwan Intellectual Property Office (Taiwan Patent Office, TIPO) to intervene in the action to provide their technical opinion, although in practice the court rarely does this. With regard to the issue of infringement, it is also possible for the parties to request that the court designate an experienced organisation or specialist to conduct an assessment of whether the claims are infringed as contended.

#### 1.5 How are arguments and evidence presented at the trial?

At the trial dates the court will address the parties' disputed issues generally following the order of (i) invalidity, (ii) infringement, and (iii) damages quantum. The parties, often represented by attorneys-at-law and/or patent attorneys, present oral arguments based on the written statements and evidence they have exchanged. Expert witnesses, if any, will be asked to briefly state their opinion and then cross-examined by the opposing party. A Technical Examination Officer is typically present at the trial to ask the parties or expert witnesses questions for clarification. On the final trial date the court will give the parties time to briefly summarise their argument in light of the evidence, often supplemented by a summary written statement.

#### 1.6 How long does the trial generally last and how long is it before a judgment is made available?

The trial typically consists of more than one date and may span up to 4 months. A written judgment is generally handed down by the judge 2 weeks after the trial is closed, a copy of which will be served to the parties about 10 days later.

### 1.7 Are there specialist judges or hearing officers and if so do they have a technical background?

The judges in the IP Court are all specialist judges with expertise in trying IP cases; some of the judges have a technical background. The Technical Examination Officers, who act as technical assistants to the judges, are mostly senior examiners of the TIPO and all of them have technical backgrounds as well as experiences in patent examination and assessment.

### 1.8 What interest must a party have to bring (i) infringement (ii) revocation and (iii) declaratory proceedings?

- (i) The plaintiff must be the owner of the patent, or an exclusive licensee with proper licensing registration at the TIPO.
- (ii) The claimant need not have any interest, except when the purported ground of revocation is (a) the patent application was not properly filed by all joint owners, or (b) the patent was issued to someone not legally entitled to file for the patent, only an “interested party” (e.g. a party who claims to be the legitimate applicant) can bring revocation proceedings.
- (iii) An action for a declaratory judgment confirming a legal relation may only be initiated by a party who has made a showing that he has immediate legal interest in seeking such a declaration. For example, a party who shows he is aggrieved by allegations of patent infringement or threats of infringement proceedings may bring an action for a declaration that the defendant’s claim for infringement does not exist.

### 1.9 Can a party be compelled to provide disclosure of relevant documents or materials to its adversary and if so how?

Yes. A party in a civil action may move the court to order the opposing party to produce documentary evidence in the opposing party’s possession. The motion must specify the relationship between such documentary evidence and the disputed fact to be proved, as well as the legal ground for the opposing party’s duty to produce such documents or materials. Under the Code of Civil Procedure, a party has the duty to disclose (i) documents that such party has made reference to in the course of the proceedings, (ii) documents which the other party may require the delivery or inspection of pursuant to applicable laws, (iii) documents which were made for the interest of the other party, (iv) commercial accounting books, and (v) documents which were made in respect of matters relating to the action (the party may refuse to produce such documents on the ground of privacy or trade secrets). Where a party to a patent infringement action fails to produce relevant documents in accordance with a court order without justifiable reasons, the court may, at its discretion, (i) take the opposing party’s allegation with regard to such documents to be true, (ii) impose a fine of up to TWD 30,000 (£600), and/or (iii) force production of such documents by an order of enforcement.

### 1.10 Can a party be liable for infringement as a secondary (as opposed to primary) infringer? Can a party infringe by supplying part of but not all of the infringing product or process?

The Taiwan Patent Act does not expressly provide for liabilities of a secondary infringer. Therefore no legal basis is available for claiming secondary infringement under the Patent Act. However, patent owners have attempted to rely on Article 185 of the Civil

Code (joint liabilities for “instigators and accomplices” of a tort) to seek relief against secondary infringers, with success to a certain extent. For example, a person who supplies the essential parts of an infringing article (but not all of it) to the primary infringer with knowledge that they are to be used for the infringement, or a person who induces or instructs the primary infringer to engage in the act of infringement may be held jointly liable for infringement.

### 1.11 Does the scope of protection of a patent claim extend to non-literal equivalents?

Yes. In practice, the Taiwan Court applies the “doctrine of equivalents” (the function/way/result rule) to extend protection to non-literal equivalents, provided that the accused product or process must contain corresponding elements identical or equivalent to each claimed element of the patent under the “all-elements rule”.

### 1.12 Other than lack of novelty and inventive step, what are the grounds for invalidity of a patent?

The principal grounds are: (i) lack of industrial applicability; (ii) insufficiency of disclosure in the written description (lack of enablement); (iii) the scope of claims is not supported by the description and drawings; (iv) pre-grant supplement or amendments which exceeded the scope of specification or drawings originally filed; (v) where the patent application right was jointly owned, the application was not filed by all joint owners; (vi) the patent was granted to someone not entitled to file for the patent; and (vii) the home country of the patentee does not accept patent applications filed by Taiwan nationals.

### 1.13 Are infringement proceedings stayed pending resolution of validity in another court or the Patent Office?

No. Article 16 of Taiwan’s Intellectual Property Case Adjudication Act requires that the IP Court may not suspend or stay the proceedings pending resolution of validity in the TIPO or the Administrative Court.

### 1.14 What other grounds of defence can be raised in addition to non-infringement or invalidity?

In addition to non-infringement or invalidity, the infringer may raise the following defences: (i) no damages should be awarded due to the patent owner’s non-compliance with patent marking requirements; (ii) no damages should be awarded because the defendant lacks the subjective intention or negligence on which an award of damages must be based; (iii) the patent was exhausted; (iv) the plaintiff was an exclusive licensee who did not register the licence with the TIPO; and (v) the plaintiff’s claim was time-barred (see the answer to question 1.19 below).

### 1.15 Are (i) preliminary and (ii) final injunctions available and if so on what basis in each case?

Both preliminary and final injunctions are available.

- (i) A preliminary injunction (known as an “injunction maintaining the temporary *status quo*”) is granted if the claimant can show that an injunction is necessary to prevent material harm or imminent danger or other similar circumstances exist. The factors generally considered by the court to determine whether a preliminary injunction is

warranted include (a) the likelihood of success on the merits of the case (both invalidity and infringement would be considered), (b) whether the claimant would suffer irreparable harm absent an injunction, (c) the balance of interests between both parties, and (d) the impact on the public interest (particularly in pharmaceutical cases).

- (ii) Final injunctions are typically granted if the claimant is successful at trial in establishing that (a) the patent is infringed and not invalid, and (b) the defendant is currently engaging in infringing activities or is likely to engage in infringing activities in the future.

#### 1.16 On what basis are damages or an account of profits estimated?

Under Article 85 of the Patent Act, the plaintiff has two options to choose from as the basis for assessing the quantum of damages. The first is the total of the plaintiff's actual damages and lost profits. The second is the profits earned by the defendant as a result of infringing activities, provided that if the defendant is unable to prove their costs or necessary expenses, their entire income derived from the sale of infringing goods would be deemed as their profits. The second option is more frequently invoked by the patent owner as it shifts the burden to prove costs and necessary expenses to the infringer. In addition, the plaintiff can seek punitive damages of up to triple the assessed quantum if the infringement is found to be wilful.

#### 1.17 What other form of relief can be obtained for patent infringement?

Upon the plaintiff's request, the court may order (i) the destruction of infringing goods, raw materials and equipments used for infringing activities or other necessary disposals, and/or (ii) publication of a final and non-appealable judgment at the expense of the infringer.

#### 1.18 Are declarations available and if so can they address (i) non-infringement and/or (ii) claim coverage over a technical standard or hypothetical activity?

- (i) Declarations are available to address non-infringement provided that the party seeking the declaratory relief has the interest indicated in the answer to question 1.8 (iii) above.
- (ii) In general declaratory proceedings can only be initiated in respect of a disputed "legal relation" or "existence or nonexistence of facts from which a legal relation arises". The court will be unlikely to entertain declaratory proceedings to address claim coverage over a technical standard or hypothetical activity as the declaration sought here is not considered to be a "legal relation" or "fact from which a legal relation arises".

#### 1.19 After what period is a claim for patent infringement time-barred?

The claim to seek damages for patent infringement is time-barred after a two-year period from when the patent owner becomes aware of the infringement and the infringer, or a ten-year period from the time the infringement takes place, whichever expires earlier.

#### 1.20 Is there a right of appeal from a first instance judgment and if so is it a right to contest all aspects of the judgment?

Yes, either party has a right to appeal a first instance judgment. While it is generally considered a liberal right to contest all aspects of the judgment, the Court of Appeal will not allow a party to present a new contention or defence, unless it can be shown that the new contention or defence is based on facts that occur after the first instance judgment is handed down or could not have been presented in the first instance due to reasons not imputable to that party.

#### 1.21 What are the typical costs of proceedings to first instance judgment on (i) infringement and (ii) validity; how much of such costs are recoverable from the losing party?

Costs are incurred mostly from court fees and attorney fees. A court fee is the money that the plaintiff must pay to the court when bringing an action. Court fees are part of 'litigation expenses', which can ultimately be recovered from the losing party. The amount of the court fee is approximately one per cent of the value of claim which is to be assessed at the discretion of the court. The level of attorney fees varies depending on how complicated the case is and whether invalidity is raised. The average attorney fees through to a first instance decision for an infringement action where invalidity is not in issue are in the range of TWD 500,000 to TWD 750,000 (£10,000~£15,000); where invalidity is raised (which is the typical case), the fees range from TWD 1 million to TWD 1.5 million (£20,000~£30,000). Attorneys' fees for the first instance are to be borne by each party themselves; they are not recoverable from the losing party.

## 2 Patent Amendment

#### 2.1 Can a patent be amended *ex parte* after grant and if so how?

Yes, by filing an application for amendment to the TIPO (answers to questions 2.1 through to 2.4 discuss only post-grant amendment). Upon approval, the amendment will be published by the TIPO in the Patent Gazette. The amendment will have retroactive effects that backdate to the filing date of the patent.

#### 2.2 Can a patent be amended in *inter partes* revocation proceedings?

Yes. *Inter partes* revocation proceedings are filed to the TIPO, in which the patent owner may propose an amendment or the TIPO may, at its discretion, instruct the patent owner to make the appropriate amendment. The TIPO must notify the party seeking revocation of the proposed amendment.

#### 2.3 Are there any constraints upon the amendments that may be made?

Amendments can only be made in accordance with one of the following: (i) to narrow the scope of the claims; (ii) correction of apparent errors; or (iii) clarification of an obscure description. Furthermore, amendments must not "exceed the scope of disclosure made in the specification or drawings originally filed" or "substantially expand or alter the scope of claims" in any event.

#### 2.4 Do reasons for amendment need to be provided and if so is there a duty of good faith?

The law does not require reasons for amendments to be provided, but the patent owner must specify the legal ground for the proposed amendment (i.e. condition (i), (ii) and/or (iii) in the answer to question 2.3 above).

### 3 Licensing

#### 3.1 Are there any laws which limit the terms upon which parties may agree a patent licence?

Yes, restrictive terms of a patent licence which result in anticompetitive effects are prohibited under the Fair Trade Act and the Fair Trade Commission Guidelines on Technology Licensing Arrangements. The following are some of the examples listed under Article 6 of the said Guidelines as potential violations of the Fair Trade Act to the extent they lessen competition or impede fair competition in the relevant market: (i) restrictive arrangements with respect to marketing methods, scope of use or trading counterparts, in order to achieve the goal of market segmentation; (ii) requirements that the licensee purchase, accept, or use other patents not needed by the licensee; (iii) requirements that the licensee exclusively grant back any improvements to the licensed patent; (iv) price fixing; (v) restrictions on the licensee's ability to challenge the validity of the licensed patent; and (vi) limitations on output.

#### 3.2 Can a patent be the subject of a compulsory licence and if so how are the terms settled and how common is this type of licence?

Yes, an invention patent (but not utility model and design patents) can be the subject of a compulsory licence. Under Article 76 of the Patent Act, the TIPO may grant a compulsory licence to an applicant on one of the following grounds: (i) in order to cope with national emergencies; (ii) to make non-profit use of a patent for enhancement of public welfare; (iii) if the applicant has failed to reach a licensing agreement with the patentee after making commercially reasonable offers to the patentee; or (iv) if a judgment or Fair Trade Commission decision confirmed that the patentee has engaged in anti-competitive conduct with respect to exercise of its patent rights. The grantee of a compulsory licence should pay to the patentee "appropriate compensation", which is to be determined by the TIPO in the event that the parties fail to settle the amount. Compulsory licences are not so common in Taiwan; it is our understanding that only two compulsory licences have been granted by the TIPO to date.

### 4 Patent Term Extension

#### 4.1 Can the term of a patent be extended and if so (i) on what grounds and (ii) for how long?

Yes, but only invention patents covering pharmaceutical or agrichemical devices/processes filed after 23 January 1994 are eligible for term extension. A term extension may be granted if a certificate of approval is required for practice of such patents under applicable laws (e.g. marketing authorisation which is required for medicinal products under the Pharmaceutical Affairs Act) and if the processing of such certificate will take more than 2 years after

publication of the patents. In general, the length of a term extension is between 2 and 5 years and only one term extension will be allowed for each patent.

### 5 Patent Prosecution and Opposition

#### 5.1 Are all types of subject matter patentable and if not what types are excluded?

Despite relaxation on patentable subject matter restriction over the years, there remain certain types of subject matter which are not patentable and they are: (i) animals, plants and essentially biological processes for production of animals or plants except for microorganism-producing processes; (ii) diagnostic, therapeutic or surgical operation methods for the treatment of humans or animals; and (iii) inventions which are contrary to the public order, morality or public health.

#### 5.2 Is there a duty to the Patent Office to disclose prejudicial prior disclosures or documents?

No. Although the Enforcement Rules of the Patent Act provide that applicants "may submit prior art materials related to the claimed invention", they do not have a duty to disclose prejudicial prior disclosures or documents.

#### 5.3 May the grant of a patent by the Patent Office be opposed by a third party and if so when can this be done?

No. Challenge of the grant of a patent by a third party can only be achieved through revocation proceedings brought at the TIPO.

#### 5.4 Is there a right of appeal from a decision of the Patent Office and if so to whom?

Yes, decisions of the TIPO can be appealed to the Appeal Board of the Ministry of Economic Affairs on the grounds that the decision is illegal and/or inappropriate; decisions of the Appeal Board can be further appealed to the IP Court on the grounds that the decision is illegal.

#### 5.5 How are disputes over entitlement to priority and ownership of the invention resolved?

Issues as to entitlement to priority are generally determined by the TIPO during prosecution of the patent application. The applicant may appeal the TIPO's decision to the Appeal Board of the Ministry of Economic Affairs. Disputes over ownership (e.g. as between joint inventors, employer and employee or non-related parties) are often brought before the TIPO during revocation proceedings, but the TIPO tends to advise the parties to seek resolution of the dispute through a civil action where the rules of evidence investigation can better facilitate examination and determination of contested facts.

#### 5.6 What is the term of a patent?

For invention patents, 20 years from filing; for utility model patents, 10 years from filing; and for design patents, 12 years from filing.

## 6 Border Control Measures

### 6.1 Is there any mechanism for seizing or preventing the importation of infringing products and if so how quickly are such measures resolved?

Border control measures for patent-infringing goods only apply after a preliminary or final injunction enjoining the import or export of goods has been obtained from the court. The patent owner or exclusive licensee may provide information on the infringing products to the customs authorities such as the expected time and location of importation, name of the carrier and flight/voyage number. The customs will prevent the importation of the infringing products accordingly. As border control measures in patent infringement cases have to be based on a preliminary or final injunction, they are not so frequently used in Taiwan.

## 7 Antitrust Law and Inequitable Conduct

### 7.1 Can antitrust law be deployed to prevent relief for patent infringement being granted?

While antitrust law may impose penalties (fines and/or even criminal charges) on patent owners who abuse their patent rights with anticompetitive consequences, the general view is that it cannot be deployed to render a patent invalid or unenforceable. There has never been a case where a defendant successfully relied on antitrust law to prevent relief for patent infringement being granted.

### 7.2 What limitations are put on patent licensing due to antitrust law?

See question 3.1 above.

## 8 Current Developments

### 8.1 What have been the significant developments in relation to patents in the last year?

In 2010 the TIPO was devoted to a programme titled “Clearing Up Backlog of Pending Patent Applications”, successfully concluding 22% more cases than the previous year. Measures taken by the

TIPO included recruiting and training new members to assist with prior art search, expanding reference to foreign search and examination results, and introducing refund mechanisms for withdrawn patent applications. The TIPO also launched online services of file wrapper inspection for published patent applications starting from 1 March 2011 in an effort to make the patent examination process more transparent.

### 8.2 Are there any significant developments expected in the next year?

A bill of amendments to the Patent Act completed First Reading at Congress on 6 April 2011. Major proposed changes include: animals and plants will be made patentable subject to certain conditions; additional legal grounds for revoking a patent are introduced; *ex officio* revocation by the TIPO is abolished; allowing partial revocation of a patent (i.e. only as to part of the claims); prerequisites for compulsory licensing are revised; a third way to assess damages for infringement i.e. “reasonable royalty” is added; triple damages for wilful infringement will be repealed because they are considered to be punitive in nature.

### 8.3 Are there any general practice or enforcement trends that have become apparent in Taiwan over the last year or so?

Over the last year there has been an increasing trend for the IP Court to find the patent at issue invalid in an infringement action. At the same time, the percentage of cases where the TIPO invalidates a patent in revocation proceedings also continued to rise, exceeding 50% for the past year. Patent holders therefore tended to be more cautious before taking enforcement action due to the risk of their patent being invalidated. In addition, the IP Court placed growing emphasis on the significance of claim construction in infringement cases. The IP Court set out to hold a claim construction hearing at the beginning of each trial, based on which the judge’s claim construction finding would be made and notified to the parties in writing.

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Mr. J. K. Lin became the director of TIPLO in 1997, after TIPLO's founder Mr. M. S. Lin passed away. In his earlier tenure as the director of the firm, J. K. has set out to further streamline the hierarchy of the staff and adopted effective formula leading to significant quality improvement of TIPLO's patent, trademark and legal services that accommodates clients' intensifying need for IPR enforcement. J. K. also devotes his time to many occasions of public speaking targeted at global corporations and international society addressing issues of IP concerns, unfair competition and others, and continues the footsteps of his late father in dedicating to pro bono NGOs' activities like that of the Judicial Reform Foundation, Taiwan International Law Society and Taiwan Human Right Committee, among many others. He is currently chair of the patent and copyrights committees to the Asian Patent Attorneys Association / APAA, and an executive director to the Board of the APAA, Taiwan Group.

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Mr. H. G. Chen is the Chief of the Legal Department of TIPLO. He has been practising law in Taiwan for more than 28 years. H. G. has extensive experience in the fields of intellectual property, litigation, unfair competition, dispute resolution and general corporate matters. In the late 1980s, he demonstrated primordial litigious flair by successfully representing the client in a leading trade dress case in Taiwan before the enactment of the Taiwan Fair Trade Act. He has represented various global corporate clients from Japan, the United States and Europe in patent and trademark litigation, licensing and negotiation in Taiwan and the illustrious record has won him the reputation as one of the most invincible lawyers in Taiwan. He served as the president of the Taipei Bar Association for the term of 2005.5-2006.11. He was the Director of Intellectual Property Committee of the Taipei Bar Association (1990-1993) and Taiwan Bar Association (1993-1995). He is now an executive member to the Board of Directors of the Asian Patent Attorneys Association (APAA), Taiwan Group.



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