

Taiwan's changing IP environment

Although known during the 1970s and 1980s for a high rate of IP piracy, Taiwan has taken its cues from advanced countries and fully reformed its legal framework for intellectual property protection. R&D is encouraged through a number of legal and tax measures, and Taiwan envisages itself as a future leader in areas such as biotechnology and materials development.

IP enforcement in Taiwan: general comments

There continue to exist in Taiwan peculiarities that will not be eliminated simply through the adoption of new legislation or because of Taiwan's entry into the WTO.

Given the relatively short time within which Taiwan has solidified its commitment to a strong IP system, problems do remain, particularly in enforcement. Numerous trade associations, mostly based in the US, and representing the interests of film, pharmaceutical, music, software and technology industries pursue remedies for relevant issues annually with the United States Trade Representative.

Enforcement of IP in Taiwan may involve criminal and civil actions before the courts, investigations or detentions by customs, quasi-judicial proceedings before the Fair Trade Commission and administrative actions by agencies having jurisdiction over specific industries such as pharmaceuticals and beverage alcohol. Mention should also be made of the administrative appeal process, as nearly all patent and trademark infringement cases are likely to involve this aspect of enforcement.

A criminal case generally begins with the filing of a complaint, followed by an investigation by the prosecutor. Search and seizure actions ('raids') are not uncommon in matters involving high volume manufacture, imports or sales, particularly in the apparel and luxury goods sectors.

The typical time required from initiation through conclusion (ie a decision to indict or not indict) will be four to eight months. The case then proceeds to the court and the time involved generally ranges from four to 12 months before the district and high courts, and eight to 16 months before the Supreme Court.

From the time an IP owner learns of infringement to the initiation of legal action, there may pass anywhere from a few hours to several months. For example where customs notifies the owner of a shipment of suspected counterfeits, the legal process could begin immediately. In other matters, eg 'sophisticated' instances of technology counterfeiting involving patents or trade secrets, considerable time may elapse from the time the infringement is suspected and investigated by the rights holder to the time a complaint is actually filed.

For criminal matters, the action must be filed within six months of the date on which the complainant learns of the infringing activity.

The timing for civil matters is similar to that in the criminal courts. From the filing of a complaint, it generally takes four to 12 months for the first and second instances, and over a year for cases heard by the Supreme Court. These periods will vary when, for example, interlocutory proceedings are involved, or the civil case is filed supplementarily to a criminal action.

Administrative proceedings refer to proceedings challenging the validity of a patent or trademark. Although the courts may have statutory authority to determine validity, as a practical matter, defendants in infringement cases will typically file an action with the patent and trademark office (Intellectual Property Office or 'IPO') to challenge the registration of a trademark or patent. These proceedings may take four to 12 months for an initial decision and are subject to several levels of appeal. In practice, and in some instances by law, courts and prosecutors will not proceed to the substantive infringement issues until the validity issues are resolved through this process.

Taiwan's Fair Trade Commission (FTC) oversees a number of areas that overlap with IP protection, particularly within in the context of unfair competition. Many cases of alleged patent abuse and trade dress matters come before the FTC, which will initiate an investigation and generally conclude a matter within four to 12 months. The FTC may call for hearings and oral arguments and this along with the complexity of the matter will have a bearing on the time required. Decisions of the FTC, being administrative in nature, are subject to the same appeal process as noted above for invalidation actions before the IPO. However, FTC sanctions will be enforced during the appeal process.

Attitudes of judges, prosecutors and other officials

There is a positive trend among judges, prosecutors and other officials with respect to IP protection in Taiwan. Increased transparency in the publication of decisions, better training and allocation of more resources for special police forces underscore this attitude. National policy has been very pro-IP since the 1980s, although until recently this policy has been to a great extent due to pressure from Taiwan's trading partners, notably the United States. Although, there remains a long way to go before this 'vision' filters through to the enforcement level of police, local judges and prosecutors, there has been great progress in recent years, particularly as many judicial officials return from extended training periods abroad.

Remedies available to rights owners

The various laws and regulations provide criminal sanctions (incarceration and fines), administrative fines and other measures such as closure of facilities or suspension of export privileges, seizures and screening for illegal exports in the case of products protected by copyright and trademark.

While the potential for incarceration often appears quite foreboding, it should be noted that well over 90 percent of the sentences are either converted to fines or suspended.

Other administrative sanctions against infringers are available as remedies under the Fair Trade Law, under the Trade Law (denial export privileges), and Customs and Copyright Laws (seizures by Customs), and regulations (concerning copyright and trademark, respectively) promulgated pursuant to the Trade Law provide for monitoring of exports. Civil remedies are available and are discussed further in the sections on damages and interlocutory relief below.

Search and seizure actions, or as they are generally known, 'raids', are a common remedy for enforcement of IP rights in Taiwan. Taiwan Customs have authority to check products on import and are generally quite responsive when presented with complete evidence.

Differences in legal systems

As noted above, Taiwan's system is a civil law based system and there are bound to be the kinds of differences that one would find for example between the systems of France and the United Kingdom. A few items to note:

- Two tiers of fact finding. Unlike the US where only the court of first instance engages in fact finding, both the district and high courts in Taiwan decide issues of fact, whereas the Supreme Court is limited to issues of law.
- No formal procedures for appointment of experts or masters in cases involving complex financial or technology issues.
- Lack of a well-developed discovery system.
- Status of parties is not that of a non party-witness and prohibitions on perjury do not apply.
- Role and attitudes of lawyers. Frequently problems with 'attitude' have less to do with the attitude of court and other enforcement officials than with the attitude of lawyers who may not be very proactive or who are easily intimidated, eg by cranky judges with full dockets who would prefer not to issue a search and seizure order.
- Delays in legal proceedings pending outcomes in administrative proceedings on, eg validity issues
- Powers of attorney and other documentary formalities. These formalities can completely frustrate an enforcement action. Experienced and tenacious representation can generally overcome this potential distraction.
- The courts tend to impose a very high standard of proof and careful compilation and presentation of evidence is critical to a case.

The availability of damages

Generally, the rights owner is entitled to choose from three approaches to measure damages that can be claimed from the infringer: losses incurred by the rights owner on account of the infringing activity, illicit gains of the infringer, or 'statutory' damages based on either a range or a multiple based on the retail price of an infringing product.

For example, for copyright infringement the statutory damages are (NT\$10,000 to NT\$1 million – approximately US\$300 to US\$30,000), trademark infringement 500 to 1,500 times the retail price of the infringing product and in patent infringement a statutory amount may be determined by a court appointed agency. Treble damages in civil patent and

unfair competition matters are provided for by law, and there are provisions under the Civil Code and other laws for indirect damages for, eg lost profits and damage to reputation.

Although to date these punitive and indirect damages are rarely imposed in practice, it is expected that courts will grant requests for these damages as the system moves towards greater 'internationalisation', ie substitution of civil enforcement for criminal enforcement.

The availability of interlocutory relief

Attachments, injunctions, and orders for the preservation of evidence are the most common interlocutory relief available in civil actions. The Fair Trade Commission also has broad powers to order measures to 'reserve the status quo' for matters for which an investigation is on going.

Orders for the preservation of evidence may be issued when there is concern that a party may destroy relevant evidence, eg that needed for the calculation of damages in a civil infringement case. The cost of such order is minimal, less than US\$20, but since the relief is distinct from the substantive civil action, the applicant will be required to file a lawsuit against a party within a fixed period of time.

Attachment orders and injunctions are often used where there is concern that the defendant might engage in 'asset stripping' or continue to sell allegedly infringing products. Both orders can be issued relatively quickly, usually within a week or 10 days and sometimes more quickly when the danger of irreparable harm is imminent. These measures require the applicant to post ('lodge') a bond in an amount determined by the judge. For attachments the bond may be set at the value of the property attached and for injunctions the amount will be an amount equal to the potential loss to the enjoined party. The bond may be subject to attachment by the counter party.

Alternatives to litigation, and their effectiveness

Taiwan courts will enforce arbitration clauses and dismiss cases brought where the parties have agreed to arbitration. While Taiwan has its own arbitration system, many foreign parties prefer to specify arbitration under the International Chamber of Commerce (of which there is a chapter in Taiwan). The parties may specify a location outside of Taiwan for the arbitration as well as the relevant rules concerning

procedure, selection of arbitrators, publication of the award and so on. Taiwan is not a member of the New York Convention on Enforcement of Arbitration Awards; however, courts will generally enforce foreign awards provided the country where the award was issued gives reciprocal recognition to arbitration awards rendered in Taiwan.

While it may seem obvious, inefficiency and costs of proceeding through the courts or administrative remedies presents a strong argument for informal approaches to resolution of infringement matters. This may be as simple as approaching the counter party through a local office or business agent or law firm. Naturally the advisability of this approach will depend on the nature of the dispute, the identity and profile of the alleged infringer and the objectives of the rights owner. This approach is unlikely to be viable in the case of street vendors selling counterfeit DVDs, watches, leather goods or other counterfeit luxury items.

On the other hand, an established manufacturer of semiconductors, sporting goods or automotive parts may have accepted an order for goods not known to be infringing and may not have the means to obtain indemnification commitments from customers. Generally speaking, the earlier this sort of matter is detected, the less 'investment' the manufacturer will have made and the more likely the infringer will be willing to cease the objectionable activity. In such cases the infringer may be willing to compensate the rights holder for costs of lawyers and investigators, destroy or deliver up infringing goods, and provide information on customers and suppliers.

Recent developments

Entry in the World Trade Organisation puts Taiwan on the radar screen for many businesses that might otherwise have ignored the country, and with this increased attention comes scrutiny of the laws and their enforcement. In general Taiwan is expected to continue on the path to a more transparent and user-friendly system with respect to enforcing IP rights. This includes litigation. The government is dedicated to realising the Green Silicon Island vision and

sees strong IP protection as a main constituent of this vision. Recent developments affecting IP litigation include:

- Accession to WTO upon which all WTO members obtain copyright protection for their works upon creation.
- Patent term extension to 20 years for all invention patents that would have expired after 1st January 2002
- Change of procedure for obtaining search and seizure orders – authority transferred from prosecutors to judges in July 2001.
- Decriminalisation of infringement on invention patents.
- Proposed amendments to Copyright Law strengthening measures to protect against internet piracy
- Proposed decriminalisation of infringement on petty and design patents.
- Proposed amendments to procedure laws to strengthen evidence rules.
- Cross-examination introduced to civil proceedings.

The current and previous administrations have dedicated considerable resources to underscore the importance of IP. Measures include everything from the inclusion of chapters on IP protection in primary school textbooks and programmes at summer camps to the sponsorship of industry presentations to judges and prosecutors.

In order to make these efforts truly responsive to the needs of industry however, industry needs to be closely involved in the process and to provide feedback in the form of participation not only in the public hearings on proposed changes to the laws, but also in the form of 'testing the system' to bring its shortcomings to the fore. Too often, businesses are frustrated by what they perceive is inadequate enforcement where the real problem is lack of understanding of the system.