

TAIWAN

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Intellectual Property in Taiwan

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Taiwan declared 2002 to be its “Action Year for Intellectual Property Protection.” In retrospect, perhaps the most laudable outcome of the campaign was the increased access authorities afforded US and European government and industry representatives to air concerns over intellectual property (IP) rights protection in Taiwan. This healthier dialogue among the various key players led to progress on several basic issues.

Unfortunately, the “action year” did not result in much real action to resolve longstanding problems with Taiwan’s enforcement of IP rights. It is hoped that some of the Taiwan government’s training seminars, workshops and meetings during the past year will lead to greater action on the frontlines. In light of recent developments, however, many rights holders are concerned that last year’s meetings will only result in more reports being read and discussed in bureaucratic meetings during 2003. Others, mostly Taiwan officials, assert that the work over the last year helped to lay the foundations for initiatives to be brought on line now.

With the upcoming amendments to the *Trademark Law*, Taiwan will finally have some mechanisms for dealing with problems that have emerged in recent years concerning trade-dress and geographic indications. The *Copyright Law* will likely improve some aspects of enforcement but will not be a “magic pill” for many long-standing issues. The *Patent Law* revisions will likely speed up some aspects of patent registration but will not do much for existing rights holders’ efforts to stop infringement.

It is worth noting that although Taiwan is struggling with many enforcement problems, it is still a jurisdiction in which rights holders can get a fair hearing in court and can, with careful planning and collection of evidence, take effective action against infringers.

WTO Accession

One of the most positive developments recently was Taiwan’s accession to the WTO and the resulting creation of a Trade-Related Aspects of Intellectual Property Rights Agreement (TRIPS Agreement) context for many of the IP enforcement issues of primary concern to the international community. Helpful support for these WTO-based initiatives came from efforts by rights holders to drum up grassroots calls for enforcement reform – large numbers of local distributors, directors and music artists participated in marches, hearings and press conferences to drive home to the Taiwan government the high cost of piracy. Furthermore, efforts to open a representative office for the European Union have also led to some constructive dialogue on TRIPS-based issues.

Copyright

The Taiwan government got off on the wrong foot with many industry and foreign-government representatives at the start of its 2002 Action Year for Intellectual Property Protection when it almost sent a new set of amendments to the *Copyright Law* to the Legislative Yuan in February 2002 without offering rights holders any opportunity for input. Software, music, movie and publishing industry representatives were among the many interested parties arguing that the proposed draft was full of loopholes that exempted end users from liability, created new potential models for infringing activities and did not address other long-standing problems.

The ill-conceived initial draft, which was very nearly submitted to the legislature, raised serious concerns about the exemption of “not-for-profit” reproduction that could free up a variety of internet-based and end-user copying by schools, government and perhaps even many companies. Faced with vehement opposition from local and foreign industry, and after discussions with its US and European counterparts, the Taiwan government introduced several more drafts.

Major industry concerns have also pressed the government to make copyright violations public crimes (i.e. indictable without filing a complaint) to facilitate police sweeps through markets, and to increase penalties for such

violations so that convicted infringers would receive sentences severe enough to serve as a deterrent. Rights holders are also concerned about criminal syndicates and their use of juveniles as front men for the sale of infringing products, although the biggest problem seems to be that the police in Taiwan have not been investigating cases further back in the supply chain.

Subsequent discussions and negotiations led to significant progress in the later drafts of the proposed *Copyright Law* amendments. It is expected that most of the industry requests will be agreed to in negotiations with the US Trade Representative – being held concurrently with the annual US’ “Special 301” exercise. A final draft is expected to be sent to the Legislative Yuan by mid 2003.

Taiwan pirate-movie manufacturers taunted the Minister of Justice by running the phrase “Catch me if you can, Chen Ding-nan!” at the start of pirated VCDs of the latest James Bond thriller, *Die Another Day*. Available from Taiwan street vendors for about NT\$100 (about US\$3), the pirated discs’ public taunt irked Chen, who is reportedly out to make good on the challenge. Although the Executive Yuan will not extend 2002’s Action Year for Intellectual Property Protection for another year, Minister Chen has vowed that the anti-counterfeiting task force set up last year will continue to crack down on IP infringements. With a newly motivated Chen in charge of the nation’s prosecutors, there may be some progress in upcoming months against Taiwan’s serious optical-media piracy problem.

In 2002, US Customs identified Taiwan as the second-largest source of pirated goods shipped to the US, and many rights holder groups have identified Taiwan as a top producer of fake optical-media products for the international market. Noting the serious problems with optical-media piracy, Premier Yu Shyi-kun announced an increase in the reward for tip-offs to NT\$10 million from the previous NT\$1 million.

Noteworthy Cases

In September 2002, a Taiwanese woman pleaded no contest to charges in the US of importing pirated software valued at nearly US\$75 million, which stands as the largest seizure of its kind in US history.

Trademarks, Geographic Indications and Domain Names

Based on World Intellectual Property Organization (WIPO) and Taiwan Intellectual Property Office (IPO) statistics, Taiwan still ranks among the top jurisdictions in the world for number of trademark applications filed and approved. This high level of applications gives Taiwan, with a population of just over 22 million, the highest number of trademark applications per capita.

New amendments to the *Trademark Law* were submitted to the Legislative Yuan in September 2002 and are expected to become effective by mid or late 2003. Highlights of the bill include:

- Extension of trademark protection to 3D shapes, sounds and single colours. In consideration of the market needs as well as international trends in trademark law, 3D shapes, sounds and single colours would be explicitly included on Article 5’s list of protected subject matter.
- Greater protection against the dilution of famous marks. The bill includes a prohibition against registering marks that dilute the distinctiveness, damage or free-ride on the reputation of famous marks.
- Acceptance of multiple-class registrations. Multiple-class applications would be made possible by deleting the provision of Article 35 that states: “For trademarks or goods in different classes, applications shall be submitted separately.”
- Elimination of the associated mark system, phasing out of the defensive mark system. This is part of a broad international trend against using associated marks, and the Taiwan IPO recommended eliminating this system in Taiwan. As the revised *Trademark Law* will provide a broader scope of protection for famous marks, the revisions also include a phasing out of the defensive mark system.
- Reduction in the opposition period. The bill proposes reducing the opposition period from three months to two months after publication of a mark’s registration in the *Trademark Gazette*.
- Periodic payment of trademark fees. A fee paid upon issuance of the registration certificate and an

optional registration fee to be paid at the end of the third year after the registration of the mark is proposed to help “weed out” registered marks that are no longer being used.

- Elimination of substantive review of renewal. The Executive Yuan proposal seeks to minimize administrative expenses and streamline the process of renewing trademarks.
- Addition of provisions protecting geographic indications is intended to help Taiwan comply with the TRIPS Agreement.
- Addition of electronic media for advertising new trademarks. The revisions would allow the use of the internet and other forms of electronic media to place advertisements that serve as official announcements of newly registered trademarks.

Geographic Indications

The beverage-alcohol industry remains very concerned about the treatment of geographic indicators in Taiwan. As the industry feared, the decentralization of enforcement, one of the systemic changes brought about by the implementation of the *Tobacco and Alcohol Administration Law* (TAAL) last year, has hampered enforcement efforts. Resources and personnel were not adequately devoted to ensuring that local authorities were able to enforce the TAAL and its regulations in an effective and consistent manner. The current situation has led to much confusion and has interfered with Taiwan’s ability to provide basic protection for geographic indications. More than a year after WTO accession, parties are still helpless to deal with “champagne” grape juice and soda products because of the legislative gap. Unfortunately, it is still also uncertain whether the *Trademark Law* revisions will offer substantive protection against such products.

Noteworthy Cases

The Czech beer, Bud, fared well in Taiwan. In June 2002, its trademark registration for “Budejovicky Budvar” was supported by a Supreme Administrative Court decision. Filed originally in 1997, the application had been approved initially by the IPO’s predecessor, the National Bureau of Standards. The registration was subsequently opposed by the US makers of Budweiser beer, also known as Bud. The US company alleged that “Budejovicky Budvar” was confusingly similar to its famous “Budweiser” mark. As the case went into appeals, the US company claimed “Budejovicky Budvar” translates from Czech into English as “Budweiser Brew” and thus, conceptually, was too similar. The Supreme Administrative Court held that the determination of whether two marks are confusingly similar should be based on the perceptions of local people – as Czech is not commonly understood by the Taiwanese public it could not be said that there would be any confusion between the meanings of Budejovicky Budvar and Budweiser. The court further noted that despite the first three letters being the same, the overall appearances of the marks were different.

Cross-strait tensions have flared over the subject of beer as well. After Taiwan’s IPO granted trademark applications for the PRC’s Tsing Tao and Yanjing beers, China rejected Taiwan Beer’s trademark application, claiming that “Taiwan” is a geographic indication. Taiwan Beer, manufactured since the Japanese colonial period (1895-1945) and run by the state-owned Taiwan Tobacco and Liquor Co., has lost about an 8% share of the market due to the influx of Chinese Tsing Tao and Yanjing beers in recent months.

Sony Corporation, registrant of numerous “PlayStation” trademarks, won back the www.playstation.com.tw domain name from a cybersquatter. Despite numerous previous findings by Taiwan’s IPO and Fair Trade Commission (FTC) that “PlayStation” is a famous mark, the cybersquatter claimed that the word “playstation” is commonly used to refer generically to children’s playgrounds and that he was planning in the future to use the site for a travel agency. The panel, convened under the *Taiwan Network Domain Name Dispute Resolution Policy*, did not accept these arguments and proceeded to the “bad faith” analysis. Noting that the site had no content, the panel requested information from Taiwan Network Information Centre on the squatter’s other site registrations which revealed that the squatter had registered several other Chinese and English domain names that included famous trademarks. The panel found that registering the domain name to effectively block Sony from its use constituted sufficient “bad faith.”

Patents

Domestic patent activity dropped somewhat in 2002, with about 61,402 patent applications filed and 46,021 patents granted (comprising inventions, new utility models and design patents). These figures represent a drop of about 8% in applications but only a 2% drop in patents granted from the previous year. In Taiwan, the top Taiwan company applying for patents was Honhai and the top company for granted patents was Taiwan Semiconductor Manufacturing Company. Outbound patent applications appear to have kept their strength. Taiwan has kept its fourth-place ranking for patent application approvals (6,545 in 2001), following only the US (98,663), Japan (34,890) and Germany (11,894).

In January 2003, the Legislative Yuan passed amendments to the *Patent Law*. The key features are as follows:

- Elimination of opposition procedures (and with that, the three-month publication term), thereby expediting the process for obtaining patent certificates. Invalidation procedures, however, have been maintained to simplify administrative proceedings.
- Examinations of invalidation actions tied to infringement proceedings are to be on a priority basis to ensure resolution of the dispute and to prevent abuse of invalidation actions (e.g. delay tactics).
- Adoption of formal examination only for utility model applications.
- Full decriminalization of utility model and design infringement provisions, providing the same civil mechanisms for pursuing infringement as available to invention patent holders.
- Extension of time limit for filing a petition for re-examination from 30 days to 60 days.
- Patents to be effective from the filing date of the patent application instead of the date a certificate is issued.

Taiwan has also implemented an early publication system for invention patents filed on or after October 26 2002. The applications will be published in the *Patent Gazette* within 18 months from the filing date (or the priority filing date, if priority is claimed). Applications filed and subsequently withdrawn will not be subject to early publication provided that the request for withdrawal is made within 15 months from the filing date (or the priority date, if priority is claimed). The addition of an early publication system was made in the hopes of minimizing the number of invention patents with similar or overlapping subject matter.

Noteworthy Cases

Court battles continued around the world between Intel and Taiwan's Via Technologies. An effort by Via to delay Taiwan proceedings by filing for invalidation of the Intel patents at issue in Taiwan was shot down by the Taipei District Court at the start of 2003. Shortly before that, in December 2002, a complaint in the UK from Via regarding allegedly anti-competitive behaviour by Intel was given the green light to proceed. Patent litigation in the US has also continued between the two parties.

Silicon Integrated Systems (SiS) and Taiwan's UMC settled their patent litigation in the US and re-established their partnership. At the centre of UMC's filing were claims that SiS stole several of UMC's key employees who had valuable information about UMC's mask and vapour deposition technologies. UMC also alleged that SiS was violating non-compete agreements between the two companies. In October 2002, the US International Trade Commission released a final decision finding that SiS had infringed UMC's patent rights and barring import of infringing SiS goods. In January 2003, UMC snapped up 14 million shares of SiS stock on top of the 23.2 million shares bought on the TAIEX in December 2002.

Competition – Taiwan's Fair Trade Law

Noteworthy Cases

In April 2002, the FTC sustained its ruling against Philips, Sony and Taiyo Yuden for violations of the *Fair Trade Law* after the Executive Yuan's Committee of Administrative Appeals had taken the somewhat unusual action of

vacating and remanding the FTC's original ruling in accordance with the Committee's decision. The FTC re-issued a ruling, fining Philips (NT\$8 million), Sony (NT\$4 million) and Taiyo Yuden (NT\$2 million) and ordering them to cease their patent pooling activities.

After nearly a year of wrangling, the FTC finally reached an agreement with Microsoft Taiwan Corp. in February 2003. As a result of the settlement agreement, Microsoft will have to make major cuts, ranging from 13.2% to 54.5%, in the prices of products marketed to retail customers (including individual buyers and students). Microsoft had been accused of setting its Taiwan prices for products at levels higher than those in other countries and of forcing the sale of multiple software products by bundling them together.

The Grand Justices also upheld the constitutionality of the FTC's rules for warning letters – the *Rules for the Review of Cases Involving Enterprises Issuing Warning Letters for Infringement on Copyright, Trademark and Patent Rights* (the Rules) – holding that the Rules are not an undue restraint on the exercise of rights. Under the Rules, warning letters cannot be sent unless an enterprise has a court decision in hand and an assessment report from a professional assessment institution (lists of approved independent assessment institutions are held by the Judicial Yuan and the Ministry of Justice), or the recipient has been notified before the issuance of the warning letter and requested to cease the infringement. In this case, Princeton BioMeditech Corporation (PBM) had been accused of obstructing a trade order by inappropriately issuing warning letters concerning alleged patent infringements. PBM lost at the FTC level, appealed, re-appealed, and then finally brought an administrative lawsuit claiming that the rules were unconstitutional.

Enforcement and Procedural Issues

Enforcement statistics

In 2002, as in the past, Taiwan authorities focused IP enforcement resources on copyright cases, particularly those involving optical-media products (CDs, VCDs, DVDs, CD-ROMs, etc.). Police and prosecutors commenced 5,118 IP rights infringement cases, with a cash value of about US\$300 million. About 80% of the cases (by number and value) dealt with copyright infringement: 4,032 cases with a cash value of about US\$235 million. In those 4,032 copyright-infringement cases, 4,834 individuals were charged with criminal infringement. Taiwan had earlier released statistics for the first five months of 2002 that indicated investigations and prosecutions were significantly down (18% and 28%, respectively) from the same period in the previous year. Comparing figures from those first five months of 2002 to the remaining seven, it also appears that Taiwan prosecutions did not even maintain the pace of the early months. Taiwan officials argued that the 2002 seizures had a cash value 22.4% higher than those of 2001, although the valuation methods do not appear to be consistently applied.

Formalities for Court Documents

Slight progress was made in 2002 regarding the documentary formalities required by Taiwan officials. In a very hopeful sign, the progressive Judicial Yuan invited representatives of US, European and Japanese industry groups to discuss proposed judicial reforms in a symposium in October. US and European industry representatives raised the documentary-formalities issue as their biggest problem with IP litigation cases brought in Taiwan, pointing out that the requirements for notarized/legalized Powers of Attorney at multiple points within individual cases affects all cases filed by foreign IP rights holders. Among other problems, the shuttling of documents back and forth between continents is nearly impossible to accomplish and creates a significant barrier even during the initial stages when a search/seizure request is being made. Such formalities are not required of Taiwan parties, thereby leading to "national treatment" and "unreasonable deadline" problems under the TRIPS Agreement.

The Judicial Yuan followed up the meeting by issuing a letter to all Taiwan judges to treat all foreign parties equally with Taiwan parties and not to require notarization/legalization of documents unless the judge is not sure of the authenticity of the documents submitted by counsel for a foreign party and/or the other party raises issues regarding the authenticity of the documents.

Taiwan Police Issues

One serious problem arose at the end of 2002 when the National Police Administration (NPA) inadvertently dropped a key incentive for police to work on IP cases. In writing up a new schedule of merit points given to police officers for participation in cases (points that are used for annual performance evaluations), the NPA reportedly forgot to specify a point total for participation in IP cases – thus dropping IP cases into the default “other” category that only earns officers one point. When the oversight was raised in early 2003, the NPA point totals were reinstated.

Cross-border Enforcement

In a cross-border infringement case this past autumn, the Taiwan High Court ruled against a Taiwan patentee who tried to sue a Taiwan company using manufacturing facilities in the PRC. Ruling in favour of the defendant, the court noted that there was insufficient evidence – such as the taking of orders from the company’s Taiwan office – to show a Taiwan nexus to the infringing activities. Although many Taiwan infringers have moved their manufacturing facilities to China, this case is a warning call to assemble good evidence beforehand to ensure the success of subsequent actions in Taiwan.

International Aspects

Bilateral Agreements

Despite accession to the WTO at the start of 2002, Taiwan has been busy negotiating bilateral agreements with several countries with which it has diplomatic relations. On December 2002, Taiwan and Guatemala signed a bilateral agreement for the development and protection of IP rights. The agreement confirms that the two countries will accept each other’s patent and trademark priority rights and will enhance personnel and information exchanges as well as cooperation on other issues. Taiwan entered into a similar bilateral agreement with Costa Rica in October 2002 and is reportedly working on agreements with Honduras and Nicaragua. It is worth noting that all of the above-mentioned countries are WTO members.

Within the Asia Pacific Economic Cooperation (APEC) framework, Taiwan’s IPO worked with the Korean Intellectual Property Office on the Technological Cooperation Project for Intellectual Property Right Online Services. As Taiwan is trying to pull together the details of its e-IPR Project, it is trying to take advantage of Korea’s experience in setting up its patent and trademark online application framework. Once Taiwan’s system is completed, the IPO hopes to connect its network with those operated by the WIPO and counterparts in the US, Europe and Japan.

Special 301

In some respects, Taiwan takes the US Trade Representative’s annual “Special 301” process more seriously than most of the US’ other trading partners. The European Union has been on the Priority Watch List every year since 1990 and many other countries seem to pay scant attention to the report. In 2001, Taiwan was downgraded to the Priority Watch List, with the US specifically citing concerns from US copyright holders that Taiwan has become one of the largest producers of pirated optical-media products in the world and stating that “without adequate legislation or sustained enforcement efforts, Taiwan remains a haven for pirates”. This year, the US is expected to keep Taiwan on the Priority Watch List.

In the International Intellectual Property Alliance (IIPA) 2003 Special 301 Report, the group criticized the “uncontrolled growth of optical disc production facilities in Taiwan, the even more recent migration of piracy to commercial CD-Rs and the generally ineffective efforts by the Taiwan government to control these activities through aggressive and deterrent enforcement” of its 2001 *Optical Media Management Law* and the *Copyright Law*. The IIPA has also asked for a “sustained copyright enforcement campaign throughout 2003 against all pirates, particularly the organized criminal syndicates that control piracy in the manufacturing, distribution, and retail sectors, and impose truly deterrent penalties”. The IIPA cites continuing problems with end-user piracy of business software, a growth in internet piracy and rampant textbook piracy at photocopy shops around university campuses.

The International Anti-Counterfeiting Coalition (IACC) also recommended that Taiwan be kept on the Priority Watch List, citing its member's complaints over a broad spectrum of industries that Taiwan offers inadequate protection, requires burdensome procedures that violate national treatment and that its enforcement officials are uncooperative. In particular, the IACC highlighted how Taiwan officials accept "chop" stamps from local Taiwan companies but require onerous Power of Attorney authentication procedures from foreign companies that "have resulted in lost opportunities to pursue infringers in a timely manner". According to the report's section on copyright enforcement: "Simply stated, the activities of Taiwan's enforcement authorities have had no impact on reducing pirate production and export." Allocation of resources and government were also faulted, as the IACC pointed out that the government appears to lack commitment to follow up on cases any time the surface is scratched and organized crime syndicates are exposed.

Looking Ahead

Although it is frustrating to see that the major solutions proposed year after year (more police, funding, raids, aggressive prosecutors and higher penalties) do not seem to be resulting in substantial improvements in the protection of intellectual property in Taiwan, there have been some notable gains for rights holders willing to assemble new evidence and pull together good cases. For years, the struggle has centred on Taiwan's seeming ambivalence towards IP issues, an attitude that appears to be changing for the better as Taiwan acknowledges its position and responsibilities as a developed economy capable of producing significant intellectual property in its own right. Taiwan's entry into the WTO last year has encouraged this attitude. Membership has brought about Taiwan's most significant international commitments in the 24 years since most of the world switched diplomatic recognition to the PRC. Although the Taiwan government and its WTO representative are struggling to fully grasp the "effective" enforcement requirements of the TRIPS Agreement, many more officials seem to be opening their doors to the concerns of rights holders – not all of which are foreigners. ◆