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Nature of Licensing Agreements

Definition

TAI1 There are no statutory definitions of licensing agreements or licences in Taiwan. An intellectual property licensing agreement may generally be defined as an agreement in which a licensee obtains a licensor's permission to use part or all of the licensor's intellectual property, including patents, copyrights, trade marks, trade secrets, and know-how.

TAI2 A licensor may be the owner of the intellectual property, provided that a licensee also may enjoy the right to sublicense the intellectual property through the rights owner's authorisation.

TAI3 An intellectual property licensing agreement may be concluded orally or in writing between parties. Written agreements are advisable to avoid disputes and misunderstandings. Licensing for specific intellectual properties along with licensing categories may be required in order to file for recordation with the competent authorities so that there is valid protection for the licensee against any third party.

TAI4 Recordation of a licence with the competent authorities, is, however, required for certain types of intellectual property, for example, those under the Act Governing the Protection of Traditional Intellectual Creation of Indigenous People.

TAI5 Taiwan's Civil Code does not require that consideration be exchanged to form a contract. A licensing agreement does not statutorily require that a

royalty be paid in order for the agreement to be valid and binding, though the payment of royalties will almost always be present in such an agreement.

National Legislation

TAI6 Taiwan has a codified legal system that traditionally has been heavily influenced by the Japanese and German civil systems and customary Taiwanese law. The Legislative Yuan (Legislature) is responsible for passing laws through voting, and the president then promulgates the laws.

TAI7 The Taiwan Civil Code,¹ the act governing general commercial matters, does not provide clear provisions regarding licensing agreements. There is not a separate category for licence agreements under the Civil Code, but there is no dispute that these agreements should fall under the scope of the intellectual property law system. The most relevant statutes regarding the licensing of intellectual property are:

- The Patent Act;²
- The Copyright Act;³ and
- The Trade Mark Act.⁴

TAI8 Acts governing specific areas of intellectual property are as follows:

- The Trade Secret Act;⁵
- The Optical Disk Act;⁶ and
- The Integrated Circuit Layout Protection Act.⁷

TAI9 Other relevant legislation includes:

- The Plant Variety and Seed Act;⁸

1 Civil Code, amended 10 June 2009.

2 Patent Act, amended 26 February 2003.

3 Copyright Act, amended 13 May 2009.

4 Trade Mark Act, amended 28 May 2003.

5 Trade Secret Act, announced 17 January 1996.

6 Optical Disk Act, amended 27 May 2009.

7 Integrated Circuit Layout Protection Act, amended 12 June 2002.

8 Plant Variety and Seed Act, amended 21 April 2004.

- The Fundamental Science and Technology Act;¹ and
- The Act Governing the Protection of Traditional Intellectual Creation of Indigenous People.²

TAI10 Taiwan law also provides for the prevention of unfair competition occurring from intellectual property licensing. According to the Patent Act, the licensing of a patent will be void if the licensing agreement contains any of the following circumstances that give rise to unfair competition:

- The prohibition or restriction of the licensee from using any specific article or process not furnished by the licensor; or
- The requirement that the licensee purchase products or raw materials from the licensor.

TAI11 Under Taiwan's Fair Trade Act, an intellectual property licence agreement also is subject to prohibitions and restrictions regarding private monopolisation, unreasonable restraint of trade, and unfair competition. The Fair Trade Commission's guidelines adopt a definition consistent with that of trade secrets under the Trade Secrets Act. The term 'trade secret', as used in the Trade Secret Act, means any method, technique, process, formula, programme, design, or other information that may be used in the course of production, sales, or operations. A trade secret also must meet the following requirements:

- It is not known to persons generally involved in the information of this type;
- It has economic value, actual or potential, because of its secretive nature; and
- Its owner has taken reasonable measures to maintain its secrecy.

TAI12 An intellectual property licence agreement also may be subject to the Consumer Protection Act³ if a consumer is one of the parties of the licensing

¹ Fundamental Science and Technology Act, amended 19 January 2005.

² Act Governing the Protection of Traditional Intellectual Creation of Indigenous People, promulgated 26 December 2007.

³ Consumer Protection Act, amended 5 February 2005.

agreement and the licensing agreement is deemed a standard agreement.¹ A standard agreement will be void if its terms and conditions violate the principles of good faith and are conspicuously unfair to consumers. The terms and conditions of a standard agreement are presumed to be conspicuously unfair if they fall within any of the following:

- They violate the principles of equality and reciprocity;
- They are obviously contradictory to the legislative purport of the discretionary provisions which may be excluded by such terms and conditions; or
- Where the chief rights or obligations of the agreement are restricted by such terms and conditions and, as a result, the purpose of the contract cannot be achieved.²

Interpretation of Licensing Agreements

Terms Mandated by Law

TAI13 There is no statutory requirement regarding the terms and conditions of a licensing agreement.

Terms Open to Party Autonomy

TAI14 According to freedom-of-contract principles, parties may stipulate any terms and conditions under a licensing agreement. The terms and conditions of an agreement should supersede the provisions of any relevant acts and regulations, unless the terms and conditions violate an imperative or prohibitive provision of an act, public policy, and public morals. A licensing agreement also will not violate the principles of good faith.

TAI15 Parties may stipulate any terms and conditions of a licensing agreement, which include the subject of licensing, as well as number of licensed subjects,

¹ A standard agreement is defined under the Consumer Protection Act as an agreement in which its terms are unilaterally prepared by business operators for entering into an agreement with non-specific and multiple parties.

² The Consumer Protection Act also requires that an enterprise provide consumers with no less than 30 days to review a standard agreement. Failure to do so prevents an enterprise from relying on the terms and conditions of the agreement in the event of a dispute.

territories, time periods, content of use, and even royalties. ‘Consideration’ is not required under Taiwan law.

Terms Presumed Absent Party Stipulation

TAI16 In addition to an agreement concluded through the mutual understanding of parties, an agreement also may be concluded through implication. Products displayed with their prices will be deemed on offer for sale, provided, however, that the mailing of a price list will be deemed an offer to negotiate. The acceptance of an agreement may not be required if it can be established in accordance with the customs or the nature of the affair. The acceptance of an agreement also may not be required if the party making the offer expresses so in advance.

TAI17 An agreement will be presumed to be formed when the parties have agreed on all essential elements of the agreement, even if the non-essential elements have not been stipulated. For example, the subject of a sale and sale price would be regarded as the essential element of a purchase agreement. The time frame of payment would be the non-essential element. The courts may, with full discretion, determine the non-essential element of an agreement based on each specific dispute. The relevant acts apply if the parties’ mutual understanding or implication is absent.

Types of Licences

Exclusive Licence

TAI18 An exclusive licence means a licence in which the licensee obtains an exclusive right to perform part or all of the licensed rights and the licensor is prohibited to use by itself or license the same licensed rights to anyone else.

TAI19 For the exclusive license of most intellectual property, the principle of freedom of contract applies to an agreement regarding an exclusive licence. Taiwan law, however, contains different specific provisions on the exclusive rights enjoyed by an exclusive licensee of properties. For example, an exclusive licensee of a copyrighted subject also is exclusively entitled to the enforcement of a copyright infringement and seeking damages from the infringer. The licensor of the exclusive licence will then be prohibited from enforcing its copyright during the terms of the licence.

TAI20 Taiwan laws also provide differently on licence recordation. Recordation is not required for most intellectual properties to establish an exclusive licence, provided that an exclusive licence may not be asserted against any *bona fide* third party without recordation.

TAI21 A trade mark licence recordation would be deemed non-exclusive if the licence only indicates the method or some of the methods of use (eg, manufacture and sale) rather than ‘all’ in the recordation application. In addition, an exclusive licence of intellectual creation of indigenous people should be deemed void if such a licence is not registered with the competent authority.

Non-Exclusive Licence

TAI22 Private parties may liberally stipulate an ordinary licence (non-exclusive licence). A licence is deemed a non-exclusive licence if there was no express indication or interpretation to support the licence as an exclusive licence.

TAI23 While a non-exclusive licence takes effect, a licensor may liberally grant a third party a non-exclusive licence, or use the licensed subject itself.

Compulsory Licence

TAI24 Only musical works are subject to a compulsory licence under the current Copyright Act system. Where a sound recording of a recorded musical work for sale has been published for six months, a person who wishes to exploit the aforementioned musical work to record and produce other sound recordings for sale may apply to the specialised government agency in charge of copyright matters (ie, the Taiwan Intellectual Property Office, Ministry of Economic Affairs) for a compulsory licence and, after paying compensation, may exploit the musical work and record and produce other sound recordings. Translations were subject to a compulsory licence until 1998.

TAI25 The Patent Act also establishes a compulsory licence mechanism. In order to cope with national emergencies, or to establish the non-profit-seeking use of a patent in order to enhance public welfare, or in the case of an applicant’s failure to reach a licensing agreement with the patentee concerned under reasonable commercial terms and conditions within a considerable period of time, the Taiwan

Types of Licences

Intellectual Property Office may, upon an application, grant a right of compulsory licensing to the applicant to put the patented invention into practice.

TAI26 If the application for compulsory licensing of a patent right covers semiconductor technology, the application may be allowed only if it is proposed to be for non-profit-seeking use that will enrich public welfare. The Taiwan Intellectual Property Office also may, upon an application, grant to the applicant a compulsory licence to practice the patented invention in the event that the patentee has imposed restrictions on competition or is practicing unfair competition, as confirmed by a court judgment or a disposition made by the Fair Trade Commission of the Executive Yuan.

Transferable and Non-Transferable Licences

TAI27 Freedom of contract governs the transferability of a licence. A licensor may grant a transferable or non-transferable licence through stipulation by the parties to the agreement.

Single, Multiple, and Master Licences

TAI28 Freedom of contract applies to single, multiple, and master licences. Taiwan law does not define single, multiple, or master licences.

Procedural Requirements

TAI29 In general, recordation should be deemed the only procedural requirement under the Taiwan intellectual property licence mechanism. An unregistered trade mark licence may not have *locus standi* against any third party (for example, a trade mark licence or a patent licence).

TAI30 Some licences, such as the traditional invention creation of indigenous people, may not be deemed valid if it has not been registered. A written agreement of the licence would be required to be submitted for recordation.

Licensing of Patent (Invention, Utility Model, and Design) Rights

Nature and Definition

Inventions

TAI31 The Patent Act defines the term ‘invention’ as any creation of technical concepts through the utilisation of the rules of nature.¹ Any person who has created an invention with industrial applicability, novelty, and inventive step may obtain a patent.²

TAI32 The Taiwan Intellectual Property Office (TIPO) has been designated as the competent authority for reviewing and approving patent applications.³ Patents may only be acquired through recordation with and approval by the TIPO.⁴

TAI33 A patentee has the exclusive right to preclude other persons from using the patented invention for commercial purposes. A patentee of a patented article will have the exclusive right, subject to the articles of the Patent Act, to preclude other persons from the manufacturing, offering for sale, selling, using, or importing for such purposes the patented article without the patentee’s prior consent.⁵

TAI34 A patentee enjoys the exclusive right to preclude others from using the process. Items made by the direct use of the process cannot be used, sold, or imported without the patentee’s prior consent⁶ unless otherwise authorised under the articles of the Patent Act, such as compulsory licensing.

Utility Models

TAI35 The Patent Act defines the term ‘utility model’ as any creation of technical concepts through the utilisation of acts of nature, in respect of the shape,

1 Patent Act, art 21.

2 Patent Act, art 22.

3 Patent Act, art 3.

4 Patent Act, art 3.

5 Patent Act, art 56(1).

6 Patent Act, art 56(2).

construction, or installation of an article.¹ A utility model patent may be obtained, by application and its subsequent recordation, where the construction or installation of an article meets the requirement for industrial applicability, novelty, and inventive step. A utility model patent, however, will not be subject to substantive examination by the TIPO.

TAI36 A utility model patentee has an exclusive right to preclude others from using the patented utility model for commercial purposes. A utility model patentee enjoys the exclusive right, subject to the arts of the Act, to preclude other persons from the manufacturing, offering for sale, selling, using, or importing for said purposes the patented article without the patentee's prior consent.²

Designs

TAI37 The Patent Act defines the term 'design' as any creation made in respect of the shape, pattern, colour, or combination thereof of an article through visual appeal.³ A new design patent may be obtained, by application and its subsequent recordation, for a new design with industrial applicability and novelty.

TAI38 A new design patentee has an exclusive right to preclude others from using the patented new design for commercial purposes. The owner of a new design patent right has an exclusive right to preclude others from manufacturing, offering for sale, selling, using, or importing for said purposes the articles of the design or similar design as claimed in the design patent without the patentee's prior consent.⁴

TAI39 A patentee may grant an exclusive licence or an ordinary licence. An exclusive licensee has the exclusive right to commercially work the patented invention or utility module or new design to the extent stipulated in the licensing agreement.

TAI40 When a patent right is subject to an exclusive licence, the patentee may not commercially work the patented invention or utility module or new design to the extent that the exclusive licensee possesses the right to preclude others from using the patented invention or utility module or new design.

1 Patent Act, art 93.

2 Patent Act, art 106(1).

3 Patent Act, art 109.

4 Patent Act, art 123(1).

TAI41 Taiwan's Patent Act, however, contains no provisions as to whether or not a licensor can commercially use the patented invention following licensing. In the case of an exclusive licence, whether or not the licensor can commercially use the patented invention depends upon the stipulations of the license agreement.

TAI42 Recordation is not required for a licence of an invention or utility model or new design in order to establish an exclusive licence. The rights granted to the licensee in an unrecorded licence agreement may not be asserted by the licensee against third parties.¹

TAI43 In addition, given that the principle of freedom of contract applies to an agreement, an exclusive licensee may sub-license the subject invention or utility module or new design to others. An exclusive licensee may make a claim or demand the removal of the infringement and the prevention of any threat of infringement, unless otherwise provided for in an agreement. In this case, the provisions set out in the agreement will prevail.²

TAI44 Moreover, when an exclusive licensee claims damages, the removal of the infringement, and the prevention of any threat of infringement, the licensee also may request destruction of the infringing products, raw materials, or implements used to infringe against the patent, or request other necessary disposals.³

TAI45 An ordinary licensee has the right to commercially work the patented invention/utility module or new design. An ordinary licence is a non-exclusive licence, and a licensor itself may work the subject invention or utility module or new design and may grant a non-exclusive licence to another person.

TAI46 However, given that the principle of freedom of contract applies to an agreement, the licensor may choose to grant an ordinary licence to a single licensee (sole licence). An ordinary licensee does not have the right to make a claim or demand the removal of an infringing item and/or the prevention of any threat of infringement. The licensor retains the rights.

TAI47 A licence agreement can stipulate what kinds of rights and obligations the licensor and the licensee have and owe to each other, such as royalties, and report on the sales of the licensed products for calculation of royalties, term and termination, income taxes, and so forth.

1 Patent Act, art 59.

2 Patent Act, art 84(2).

3 Patent Act, art 84(3).

Territorial Scope

TAI48 The Patent Act is enforced within Taiwan. It can be stipulated in a patent licence agreement that the territorial scope for the licensee's use of the subject invention, utility model, and design are for throughout Taiwan or within one region or place on the island, or its outlying islands.

Term

TAI49 The term of an invention patent right is 20 years from the filing date of the patent application,¹ while the term of a utility model patent right is 10 years from the filing date of the patent application.²

TAI50 The term of a design patent right is 12 years from the filing date of the patent application.³ It can be stipulated in a patent licence agreement that the term of the licence is for the whole term of a patent right, or a shorter period.

Rights of Licensor

Exclusive Licences

TAI51 The Patent Act contains no provisions as to whether or not a licensor can commercially use the patented invention following licensing. Therefore, since the principle of freedom of contract applies to license agreements, the licensor may grant an exclusive licence and can still commercially use the patented invention. In the case of an exclusive licence, whether or not the licensor can commercially use the patented invention depends upon the stipulations of the licence agreement.

TAI52 An exclusive licence agreement can stipulate the terms of the licence, territory, scope of the licence, and various kinds of licensing clauses, such as those relating to production, sales, and taxable income.

¹ Patent Act, art 51(2).

² Patent Act, art 101(3).

³ Patent Act, art 113(3).

Ordinary Licences

TAI53 An ordinary licence is a non-exclusive licence, and a licensor may use the subject invention or utility module or new design and grant a non-exclusive licence to another person. A licensor is allowed to have multiple ordinary licences with different licensees, even under the same conditions of an ordinary licence agreement.

Obligations and Liabilities of Licensor

TAI54 There are no regulations in the Patent Act regarding a licensor's right to work the subject invention or utility model or new design following licensing. In the case of an exclusive licence, whether or not the licensor can work the subject invention or utility model or new design depends on the stipulations in the licence agreement.

TAI55 It is not compulsory to record a licensing with the patent authorities in Taiwan. The patentee, however, will not be asserted against a third party¹ if the licence has not been registered with the TIPO. Therefore, if the licensing agreement is agreed to between both parties, the licensor may be obligated to co-operate with the licensee in recordation with the patent authority.

TAI56 A licensor is not obligated to take action against an infringement that violates an invention, utility module, or new design patent or to cooperate with the licensee against the infringement, unless agreed between the parties in the licensing agreement.

Rights of Licensee

Exclusive Licences

TAI57 Taiwan's Patent Act contains no provisions as to whether or not a licensor can commercially use the patented invention following licensing. An exclusive licensee's rights depend on the stipulations of the license agreement (such as if a licensor is prohibited from commercially using a patented invention).

TAI58 An exclusive licensee may bring infringement claims, demand removal of the infringing item, and demand the prevention of any threat of infringement

¹ Patent Act, art 59.

as well as request destruction of the infringing products or the raw materials or implements used to infringe upon the patent, or request other necessary disposal.

Ordinary Licences

TAI59 The holder of an ordinary licence has the right to commercially use the patented invention to the extent stipulated in the licensing agreement. An ordinary licence is a non-exclusive licence and, therefore, the licensee does not have the right to make a claim or demand the removal of the infringement and the prevention of any threat of infringement.

Obligations and Liabilities of Licensee

TAI60 Obligations of the licensee, such as the payment of royalties to the licensor, can be stipulated in a licensing agreement. Given that the principle of freedom of contract applies to an agreement, a licence agreement can stipulate various obligations of the licensee, such as the payment of royalties to the licensor and reporting on the sales of the licensed products.

TAI61 In addition, a licensee also may be requested by the licensor to mark patented items or their packaging with patent numbers. In case of failure to affix the numbers, no claims for damages will be allowed against infringers.¹

Royalties

TAI62 The payment of royalties from the licensee to the licensor is based on the licence agreement. It is not required, however, to provide for the stipulation of royalties in the licensing agreement.

TAI63 Royalties may be paid by lump sum, periodic payments, initial fees, and fixed annual fees. The licensing agreement may include the base payment, rate, payment schedule, and payment method.

TAI64 The withholding tax rate on royalties payable to a non-resident is 20 per cent and 25 per cent for non-resident enterprises whose investments were not approved under the Statute for Investment by Overseas Chinese or the Statute

¹ Patent Act, art 79.

for Investment by Foreign Nationals. Taiwan has double-taxation treaties with a select list of countries to offer reduced tax rates of 10 to 15 per cent for royalties. These countries include Australia, Belgium, Denmark, Gambia, Indonesia, Macedonia, Malaysia, New Zealand, Senegal, Singapore, South Africa, Swaziland, Sweden, The Netherlands, the United Kingdom, and Vietnam.

Extension and Amendment

TAI65 A licensing agreement may stipulate an extension. Both parties also may change the terms and conditions of the licensing agreement, as agreed to by both parties.

TAI66 The transfer, modification, revocation, or restriction of the disposition of a licensing agreement is not effective against a third party unless the licence has been registered with the TIPO.

Linkage with Other Intellectual Property Rights

TAI67 Inventions unknown to the public may be protected as know-how. Some patent licence agreements also include know-how licensing agreements. Trade secrets are protected under the Trade Secret Act. Integrated circuits are protected under the Integrated Circuit Layout Protection Act.

TAI68 A design that has become distinctive may be protected as a trade mark. Design patents are also protected under certain circumstances under the Fair Trade Act and the Copyright Act. Patent, trade mark, and integrated circuit layout rights are registered with the TIPO. Novel plant varieties and seeds may be protected under the Plant Variety and Seed Act. Plant varieties and seeds are registered with the Executive Yuan's Council of Agriculture.

Public Policy

TAI69 Any provisions of a licence agreement, the execution of which constitutes an abuse of rights, cannot be enforced under article 148 of the Civil Code.

TAI70 Additionally, the Patent Act provides that prohibiting or restricting the licensee from using any specific article or process not furnished by the licensor or requiring that the licensee purchase products or raw materials of the licensor

that are not under patent protection will give rise to unfair competition, and the contract will not take effect.¹

Licensing of Copyright

Nature and Definition

TAI71 The definition of ‘work’ under the Copyright Act means a creation that is within a literary, scientific, artistic, or other intellectual domain.² ‘Works’ include the following:

- Oral and literary works;
- Musical works;
- Dramatic and choreographic works;
- Artistic works;
- Photographic works;
- Pictorial and graphical works;
- Audiovisual works;
- Sound recordings;
- Architectural works; and
- Computer programs.

TAI72 The examples and content of each category set forth in the preceding list are prescribed by the competent authority.³

TAI73 If an employee, within the scope of employment, completes a work, the employee is the author of the work. However, when an agreement otherwise stipulates that the employer is the author, the agreement will govern.⁴ Where a person under commission completes a work, the commissioned person is the author of the work except where an agreement stipulates that the commissioning party is the author, and then the agreement will govern.⁵

¹ Patent Act, art 60.

² Copyright Act, art 3.

³ Copyright Act, art 5.

⁴ Copyright Act, art 11.

⁵ Copyright Act, art 12.

TAI74 An author has moral rights of author and economic rights in the work, and will enjoy copyright upon completion of the work without any recordation or registration.¹ An author of a work will enjoy the right to publicly release the work and have the right to indicate his name, a pseudonym, or no name on the original or copies of the work, or when the work is publicly released.

TAI75 An author has the right to prohibit others from distorting, mutilating, modifying, or otherwise changing the content, form, or name of the work, thereby damaging the author's reputation. Moral rights belong exclusively to an author and will not be transferred or succeeded. An author may agree not to exercise moral rights against any third party.²

TAI76 Economic rights include the right of reproduction, right of recitation, right of broadcast, right of presentation, right of performance, right of public transmission, right of exhibition, right of adaptation, right of distribution, right of transfer, and right of lending.³

TAI77 For a literary or artistic work that has no economic rights or for which the economic rights have been extinguished, a plate maker who arranges and prints the said literary work or, in the case of an artistic work, a plate maker who photocopies, prints, or uses a similar method of reproduction and first publishes such reproduction based on such original artistic work, and duly records it in accordance with the Copyright Act, will have the exclusive right to photocopy, print, or use similar methods of reproduction based on the plate.⁴

TAI78 The Civil Code provides that a contract for publication is a contract whereby one of the parties agrees to deliver to the other for the publication of literary, scientific, artistic, or other types of works, and the latter agrees to print or in other ways reproduce and publish the works. If works for a publication in a newspaper or a magazine have been published, this is presumed to be constituted as the contract for publication.⁵

1 Copyright Act, art 10.

2 Copyright Act, arts 15–17.

3 Copyright Act, arts 22–29.

4 Copyright Act, art 79.

5 Civil Code, art 515.

TAI79 The copyright holder or the plate rights holder may demand the removal of any infringements of its rights. Where there is a likelihood of infringement, a demand may be made to prevent this infringement.¹ A person who infringes on the moral rights of an author will be liable for damages. In the event of non-pecuniary injury, the injured party may claim a commensurate amount of compensation.

TAI80 In infringement matters referred to in the preceding paragraph the injured party may demand indication of the author's name or appellation, correction of content, or adoption of other appropriate measures necessary for the restoration of its reputation.²

TAI81 The economic rights holder may license others to exploit the work. The parties will stipulate the territory, term, content, method of exploitation, and other particulars of the licence. Particulars not clearly covered by such stipulations will be presumed not to have been licensed. Subsequent assignment or further licensing of economic rights by the economic rights holder will not affect the licence referred to in the preceding paragraph. A non-exclusive licensee may not sub-license the rights inherent in the licence to any third party for exploitation without the consent of the economic rights holder.

TAI82 An exclusive licensee may, within the scope of the licence, exercise rights in the capacity of the economic rights holder, and may perform litigious acts in its own name. The economic rights holder may not exercise rights within the scope of an exclusive licence.³

Territorial Scope

TAI83 The Copyright Act is enforced within Taiwan. It can be stipulated in a copyright licence agreement that the territorial scope for the licensee's use of the subject copyright is throughout Taiwan, within one region or place on the island, or its outlying islands.

1 Copyright Act, art 84.

2 Copyright Act, art 85.

3 Copyright Act, art 37.

Term

TAI84 Economic rights endure for the life of the author and 50 years after the author's death.¹ Economic rights in a joint work subsist for 50 years after the death of the last surviving author.² Economic rights in a pseudonymous work or an anonymous work endure for 50 years from the time of public release, provided that the economic rights will be extinguished where it can be proven that the author has been deceased for more than 50 years.³

TAI85 Economic rights in works authored by a juristic person endure for 50 years after the public release of the work if the work is not publicly released within 50 years from the completion of the creation, the economic rights will subsist for 50 years after completion of the creation.⁴ Economic rights for photographic works, audiovisual works, sound recordings, and performances endure for 50 years after the public release of the work.⁵ All terms of duration terminate as of the last day of the last year of the term.

TAI86 Where the term of economic rights for works released to the public continuously or successively is calculated on the basis of the date of the public release of the work, if each public release can constitute an independent work, the term of economic rights of each work will be calculated from the date of each public release. If each public release cannot constitute an independent work, the term will be calculated from the date of the public release(s) that can constitute an independent work.

TAI87 With respect to the circumstances described in the preceding paragraph, if the continuing part has not been publicly released within three years of the date of public release of its preceding part, the term of the economic rights will be calculated from the date of public release of its preceding part.⁶

Rights of Licensor

TAI88 Based on the principle of freedom of contract applying to license agreements, the licensor may grant an exclusive licence or grant multiple ordinary

1 Copyright Act, art 30.
2 Copyright Act, art 31.
3 Copyright Act, art 32.
4 Copyright Act, art 33.
5 Copyright Act, art 34.
6 Copyright Act, art 35.

licences to different licensees. A licence agreement can stipulate the licensor's rights to royalties from the licensee and to reports from the licensee on the sales of the licensed products for calculation of royalties, the terms of the licence, territory, scope of the licence, and licensing clauses, such as production, sales, and taxable income.

TAI89 For licensing of the publication of literary, scientific, artistic, or other types of works, the author may correct or revise his or her writing in so far as it does not harm the interests of the licensee, or does not increase the licensee's responsibility. However, the author will compensate the licensee for all unexpected expenses resulting therefrom. The licensee will give the author the opportunity to correct or revise the writing before a new edition is reproduced.¹ Remuneration is deemed to have been agreed upon if, in accordance with the circumstances the delivery of the writing is not to take place without remuneration.²

TAI90 Remuneration will be paid when the reproduction of the whole writing is completed if it is to be issued as a whole, or when the reproduction of each part is completed if it is to be issued separately.³ If, according to the contract, the licensee may publish several editions or publish the writing indefinitely and the licensee neglects to reproduce a new edition after the last one is exhausted, the court may, on the application of the person ceding the right of publication, order that a new edition be published by the editor within a fixed deadline. If an editor fails to comply with this order within the stated deadline, his or her right of publication is deprived.⁴

Obligations and Liabilities of Licensor

TAI91 A licensor is not obligated to take action against copyright infringement, or cooperate with the licensee in taking action to enforce the copyright, unless so stipulated in the licensing agreement.

TAI92 The rights of the authors entitled to the literary, scientific, artistic, or other types of works are exercised by the licensee in so far as it is necessary for the legal authority of the execution. The licensor will warrant that, at the time

¹ Civil Code, art 520.

² Civil Code, art 523.

³ Civil Code, art 524.

⁴ Civil Code, art 518 I.

when the contract is constituted, he has the right of ceding the publication. If the work is protected by law, he also will warrant that he has its copyright. If the whole or a part of the work has already been delivered to a third party for publication, or has been publicly published by a third party to the knowledge of the licensor ceding the right of publication, the licensor will inform the licensee about it before the conclusion of the contract.¹

TAI93 Until the copies of a publication that the publisher is entitled to reproduce and issue have been sold in full, the licensor ceding the right of publication may not make any disposition of the work in whole or in part that would be to the detriment of the publisher, unless otherwise stipulated by contract.

TAI94 If the licensor ceding the right of edition keeps a duplicate copy of the writing, he is bound to deliver it to the licensee. In case there is no duplicate copy, if the licensor ceding the right of edition is the author, he will remake it, if the work does not take much labour. In the case specified above, the author may demand a reasonable compensation.²

Rights of Licensee

TAI95 A non-exclusive licensee may not sub-license the rights inherent in the licence to any third party for exploitation without the consent of the licensor. An exclusive licensee may, within the scope of the licence, exercise rights in the capacity of economic rights holder, and may perform litigious acts in its own name. The licensor may not exercise rights within the scope of an exclusive licence.³

TAI96 The Penal Provisions will not apply where musical works are licensed for reproduction on karaoke machines and an exploiter uses such a karaoke machine to publicly perform the works, provided this will not apply in the case of musical works managed by copyright intermediary organisations.⁴

TAI97 Where an economic rights holder licenses the public broadcast of the work, it will be presumed, unless otherwise stipulated, that the economic rights

¹ Civil Code, art 516.

² Civil Code, art 525(2) and (3).

³ Copyright Act, art 37(3) and (4).

⁴ Copyright Act, art 37(5).

holder has licensed one public broadcast only, and that said broadcast will have no effect on other rights belonging to the economic rights holder.¹

TAI98 For the purposes of public broadcasting, a radio or television broadcasting organisation may, with its own equipment, sound record or video record a work, provided this will be limited to situations where the public broadcasting has been licensed by the economic rights holder.²

Compulsory Licensing of Musical Works

TAI99 Where a sound recording of a musical work recorded for sale has been published for six months, a person who wishes to exploit the aforementioned musical work to record and produce other sound recordings for sale may apply to the TIPO for a compulsory licence and, after paying compensation, may exploit such musical work and record and produce other sound recordings.³

TAI100 If the whole or a part of a published edition is destroyed by *force majeure*, the licensee may republish at his/her own expense the part that is destroyed without paying an additional remuneration to the licensor.⁴

Obligations and Liabilities of Licensee

TAI101 If there is no agreement on the number of editions, the licensee may print only one edition.⁵ If, according to the contract, a licensee may publish several editions or publish the writing indefinitely and he neglects to reproduce a new edition after the last one is exhausted, the court may, on the application of the licensor ceding the right of publication, order that a new edition be published by the licensee within a fixed deadline. Failure by the licensor to comply with this order within the deadline will deprive him of their right of publication.⁶

1 Copyright Act, art 41.

2 Copyright Act, art 56.

3 Copyright Act, art 69.

4 Civil Code, art 526.

5 Civil Code, art 518(1).

6 Civil Code, art 518(2).

TAI102 The licensee may not add to, shorten, or modify the writing, and the writing will be reproduced in appropriate form. He also must make the necessary advertisements and take ordinary measures to promote the sales of the publication. The selling price of the publication is to be fixed by the editor, but it may not be fixed so high that it hinders the sale of the publication.¹

TAI103 If the writing, after having been delivered to the licensee, is destroyed by *force majeure*, the licensee is still liable to pay remuneration.²

Royalties

TAI104 The payment of royalties from the licensee to the licensor is based on the licence agreement. It is not required, however, that the stipulation of royalties be included in the licence agreement.

TAI105 Royalties may be paid by lump sum, periodic payments, initial fees, and fixed annual fees. The licence agreement may include the base payment, rate, payment schedule, and payment method.

TAI106 The withholding tax rate on royalties payable to a non-resident is 20 per cent and 25 per cent for non-resident enterprises whose investments were not approved under the Statute for Investment by Overseas Chinese or the Statute for Investment by Foreign Nationals. Taiwan has tax treaties with a select list of countries to offer reduced tax rates of 10 to 15 per cent for royalties. These countries include Australia, Belgium, Denmark, Gambia, Indonesia, Macedonia, Malaysia, New Zealand, Senegal, Singapore, South Africa, Swaziland, Sweden, The Netherlands, the United Kingdom, and Vietnam.

TAI107 Where a sound recording of a musical work recorded for sale has been published for six months, a person who wishes to exploit the aforementioned musical work to record and produce other sound recordings for sale may apply to the TIPO for a compulsory licence, and after paying compensation, may exploit such musical work and record and produce other sound recordings.³

1 Civil Code, art 519.

2 Civil Code, art 525(1).

3 Copyright Act, art 79(1).

Extension and Amendment

TAI108 A licensing agreement may stipulate an extension. Both parties also may change the terms and conditions of the licensing agreement, as agreed to by both parties.

Linkage with Other Intellectual Property Rights

TAI109 Copyrighted works also can be registered as trade marks. A trade mark registered by the Taiwan Intellectual Property Office is protected under the Trade Mark Act. When a trade mark is widely known or well known, even if it is not registered at the TIPO, it is protected under the Fair Trade Act.¹

TAI110 The shape of goods also is protected under the Fair Trade Act under certain conditions.² A design registered at the Taiwan Intellectual Property Office is protected under the Patent Act.

Public Policy

TAI111 Any provisions of a licence agreement contrary to public policy or good morals are null and void under articles 71 and 72 of the Civil Code. Any provisions of a licence agreement the execution of which constitutes abuse of right cannot be enforced under article 148 of the Civil Code.

Licensing of Trade Marks

Nature and Definition

TAI112 Under the Trade Mark Act, ‘trade mark’ is defined as ‘any word, device, symbol, color, sound, three-dimensional shape, or combination thereof.’³ Furthermore, a trade mark must ‘be sufficiently distinctive to enable the relevant consumers

¹ Fair Trade Act, art 20(1)–(3).

² Fair Trade Act, art 20(1).

³ Trade Mark Act, art 5(1).

of goods or services to recognise it as a mark indicating said goods or services, and to differentiate them from goods or services provided by others'.¹

TAI113 A party who wishes to obtain trade mark rights in order to indicate its own goods or services may apply for registration of a trade mark with the TIPO.² Upon submission of the necessary documents, a trade mark application undergoes both formal and substantive examination and a routine application will generally be approved within eight to 12 months from the filing date.

TAI114 Upon receipt of the TIPO's approval notice, a registration fee must be paid within two months, after which the TIPO will both grant the registration and publish it in the *Trademark Gazette* for opposition. A third party may file an opposition within the three-month period following publication of the registration and, if ultimately successful, the registration will be revoked and the registration certificate deemed invalid.

TAI115 The term 'trade mark use' is defined in the Trade Mark Act as 'an action taken for marketing purposes, where a trade mark is either used on or in connection with goods, services, or articles related thereto, or where a two-dimensional image, digital sound or image, electronic media, or other medium is used in such a manner so as to cause the relevant consumers to regard the above as a trade mark'.³

TAI116 A mark does not need to be used in Taiwan prior to registration. However, if at any point following registration, use is suspended without reason for a period of more than three years, it becomes vulnerable to non-use cancellation.⁴ 'Use' is generally presumed to mean use in Taiwan. A trade mark registration also may be cancelled where:

- The trade mark rights holder or licensee alters or makes addition to a trade mark, such that it is identical or similar to another person's registered trade mark used on the same or similar goods or services so as to cause a likelihood of confusion or misidentification by the relevant consumers;⁵

1 Trade Mark Act, art 5(2).

2 Trade Mark Act, art 2.

3 Trade Mark Act, art 6.

4 Trade Mark Act, art 57(1) and (2).

5 Trade Mark Act, art 57(1).

- The trade mark rights holder has failed to add appropriate distinguishing marks to its trade mark as required to avoid misidentification or confusion by consumers;¹
- The trade mark has become a generic mark, name, or shape for the designated goods or services;²
- The actual use of the trade mark is likely to mislead the public with respect to the nature, quality, or origin of the goods;³ or
- The trade mark infringes, as a result of use, upon the copyright, patent right, or other rights of another person, and the occurrence of such infringement is confirmed in a final and irrevocable court judgment.⁴

TAI117 As such, licence agreements should be carefully drafted to ensure that use by the licensee does not render the trade mark registration vulnerable to cancellation. The Trade Mark Act provides that a trade mark rights holder may licence another party to use its trade mark with all or part of the designated goods or services.⁵ The Trade Mark Act also states that licences will be registered with the Taiwan Intellectual Property Office and that the same will apply where a licensee sub-licenses the trade mark to another party with the consent of the trade mark rights holder.

TAI118 The only penalty for not registering a licence is that the licence may not be asserted by the licensee against third parties. The licence is valid and effective as between the parties prior to registration. If a non-use cancellation is filed, a licence can be registered after that fact, and the licensee's use will still be deemed sufficient to defend against non-use cancellation.

TAI119 Therefore, whether or not the licence should be registered is often determined on a case-by-case basis and depending on the nature of the licensing agreement. Generally, if policing of the mark in the Taiwan market is performed by the licensee, then the licence should be registered with the TIPO. If, however, policing of the local market is conducted by the licensor, then registering the licence with the TIPO may not be necessary.

¹ Trade Mark Act, art 57(1) and (3).

² Trade Mark Act, art 57(1)–(4).

³ Trade Mark Act, art 57(1)(5).

⁴ Trade Mark Act, art 57(1)–(6).

⁵ Trade Mark Act, art 33(1).

TAI120 Often, parties to a licence prefer not to register the licence as a cost-saving measure. However, there are a few situations in which it is beneficial to register the licence. One example is where the registered owner is only licensing some of the goods designated in a given registration to the licensee.

TAI121 Registering the licence with the TIPO serves to give others in the industry notice of the scope of the licensee's licence and is particularly helpful when there is more than one licensee for various products. Another example is where licensees sell products to the Taiwan government and military and for such sales they need to show to the purchasing agents that they are the licensee of record for the particular goods in Taiwan.

TAI122 Where trade mark rights are assigned after the licence has been registered, the assignee will still be bound by the licence agreement.¹ Either of the parties to a trade mark licence agreement or other interested parties may file an application, together with pertinent evidence, to cancel the licence registration in the following situations:

- The trade mark rights holder and the licensee agree to the termination thereof (the same applies where the trade mark has been sub-licensed);
- The licence agreement stipulates that either the trade mark rights holder or the licensee may terminate the licensing relationship at will and a party to the agreement actually declares the termination thereof; or
- The trade mark rights holder notifies the licensee to rescind or terminate the licence citing violation of the terms of the licence agreement by the licensee, and the latter raises no objection.²

TAI123 A trade mark rights holder may claim damages for infringement on the trade mark right, and may demand removal of the infringement. Where there is likelihood of infringement, a demand may be made to prevent such infringement.³ A demand may be made to destroy or otherwise dispose of infringing objects or

¹ Trade Mark Act, art 33(3).

² Trade Mark Act, art 34(2).

³ Trade Mark Act, art 61(1).

any materials and equipment used in the infringement.¹ The remedies available to the trade mark right holder also are granted to licensees.²

Territorial Scope

TAI124 The Trade Mark Act is enforced within Taiwan. It can be stipulated in a trade mark licence agreement that the territorial scope for the licensee's use of the subject trade mark are throughout Taiwan or within one region or place on the island, or its outlying islands.

Term

TAI125 The Trade Mark Act provides for a 10-year term of protection, which is renewable indefinitely for additional 10-year terms, following payment of the renewal fee. Trademarks may be renewed during the six-month period either before or after a mark's legal expiration date.³

TAI126 It can be stipulated in a trade mark licence agreement that the term of the licence is the whole term of the trade mark right or a shorter period. The registration of a licence will expire when the term of the trade mark right expires. Upon renewal of the trade mark by the rights owner, the licence must also be re-registered with the TIPO.

Rights of Licensor

TAI127 The Trade Mark Act contains no provisions as to whether or not a licensor can use a trade mark following licensing. In addition, the Trade Mark Act does not differentiate between exclusive and ordinary licences.

TAI128 Therefore, since the principle of freedom of contract applies to license agreements, the licensor may grant an exclusive licence or grant multiple ordinary licences with different licensees. In the case of an exclusive licence, whether or not the licensor can use the trade mark depends on the stipulations of the licence agreement. A licence agreement can stipulate the terms of the licence, territory, scope of the licence, and the kinds of licensed acts.

¹ Trade Mark Act, art 61(3).

² Trade Mark Act, art 69.

³ Trade Mark Act, art 27.

Obligations and Liabilities of Licensor

TAI129 The Trade Mark Act states that licences will be registered with the TIPO and that the same will apply where a licensee sublicences the trade mark to another party with the consent of the trade mark rights holder. Therefore, where a licensing agreement is agreed upon between both parties, the licensor may be obligated to co-operate with the licensee to register the licence with the TIPO.

TAI130 A licensor is not obligated to take action against trade mark infringement, or cooperate with the licensee in taking action against enforcing the trade mark right, unless otherwise stipulated in the licensing agreement.

Rights of Licensee

TAI131 As noted above, the principle of freedom of contract prevails in Taiwan and, as such, the rights of the licensee depend on the terms stipulated in the licence agreement. The licensee has the right to use the licensed trade mark to the extent stipulated in the licensing agreement.

TAI132 In addition, a licensee with a registered licence has the right to make a claim against or demand the removal infringement or to demand measures be taken to prevent threatened infringement.

Obligations and Liabilities of Licensee

TAI133 Obligations of the licensee, such as the payment of royalties to the licensor, must be stipulated in a licence agreement. Given that the principle of freedom of contract applies to an agreement, a licence agreement can stipulate various obligations of the licensee, such as the payment of royalties to the licensor, or reporting on sales of goods or services bearing the licensed mark.

TAI134 The Trade Mark Act requires a licensee to affix obvious and easily recognisable indications of the licensing of the trade mark on its goods, on the packaging and containers used therewith, and on articles and documents used in business. Where it is obviously difficult to affix such indications (as in the case of service marks), the licensee may indicate the licensing of the trade mark at its place of business or on other relevant articles.¹

¹ Trade Mark Act, art 33(4).

TAI135 Where a licensee fails to affix the necessary indications, the TIPO, acting *ex officio* or upon request, may issue a notice requesting rectification within a prescribed time period. Should the licensee fail to comply with the notice, the licensing registration will be cancelled.¹

Royalties

TAI136 The payment of royalties from the licensee to the licensor is based on the licensing agreement. It is not required, however, to include the stipulation of royalties in the licensing agreement.

TAI137 Royalties may be paid by lump sum, periodic payments, initial fees, and fixed annual fees. The licensing agreement may include the base payment, rate, payment schedule, and payment method.

TAI138 The withholding tax rate on royalties payable to a non-resident is 20 per cent and 25 per cent for non-resident enterprises whose investments were not approved under the Statute for Investment by Overseas Chinese or the Statute for Investment by Foreign Nationals. Taiwan has tax treaties with a select list of countries to offer reduced tax rates of 10 to 15 per cent for royalties. These countries include Australia, Belgium, Denmark, Gambia, Indonesia, Macedonia, Malaysia, New Zealand, Senegal, Singapore, South Africa, Swaziland, Sweden, The Netherlands, the United Kingdom, and Vietnam.

Extension and Amendment

TAI139 A licensing agreement may stipulate an extension. Both parties also may change the terms and conditions of the licensing agreement, as agreed to by both parties.

TAI140 The transfer, modification, revocation, or restriction of the disposition of a licensing agreement is not effective against a third party unless the licence has been registered with the TIPO.

¹ Trade Mark Act, art 34(1).

Linkage with Other Intellectual Property Rights

TAI141 The Fair Trade Act prohibits the infringing use of both registered trade marks and unregistered famous trade marks.¹ Therefore, complaints can be filed with Taiwan's Fair Trade Commission (FTC) in connection with infringing use of trade marks.

TAI142 However, the FTC has recently been seeking to distance itself from matters it believes are under the jurisdiction of the Taiwan Intellectual Property Office, specifically, refusing to investigate complaints that involve the infringement of registered trade marks. The Fair Trade Commission will likely continue to hear cases regarding the infringement of non-registered famous marks or trade dress.

Public Policy

TAI143 Any provisions of a licence agreement that are considered contrary to public policy or good morals are null and void under articles 71 and 72 of the Civil Code. In addition, any provisions of a licence agreement, the execution of which constitutes abuse of right, cannot be enforced under article 148 of the Civil Code.

Revisions to Taiwan's Trade Mark Act Pertaining to the License of Trade Marks

TAI144 The TIPO is considering proposals to further revise Taiwan's Trade-mark Act and two public hearings have been held to solicit opinions from intellectual property scholars and practitioners on the proposed revisions. While it is unclear when the revisions will be finalised or when the newest amendments will enter into force, there are some significant revisions that will likely appear in the finalised Trade Mark Act and should be noted by both trade mark owners and licensees.

TAI145 First, the latest revisions differentiate between exclusive and ordinary licenses. In general, the revised provisions of the Trademark Act still adheres to

¹ Fair Trade Act, art 20.

freedom of contract principles. However, where not stipulated in the licence agreement, the following will apply:

- Under the revised Act, an exclusive licensee has the right to preclude both the trademark owner (the licensor) and third parties, within the scope of the licence, from using the licensed mark;
- When exercising its rights in connection with the licensed mark, the licensee must initiate litigation in its own name; and
- A non-exclusive licensee may initiate litigation (in its own name) against unauthorised third parties using the licensed mark where it has notified the licensor of the infringement and the licensor has not exercised its rights in within two months.

TAI146 Furthermore, under the revised Act, an exclusive licensee does not require the consent of the trade mark owner (unless otherwise stipulated in the license agreement). Non-exclusive licensees require the consent of either the trade mark owner or the exclusive licensee to further sub-license the mark to a third party.

Licensing of Registered Designs and Utility Models

TAI147 The Patent Act covers registered designs and utility models (see text, above).

