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Taiwan Sakura v. IP Office: Court Revisits TIPO's Claim Interpretation

A Taiwanese patent for the anti-shake hanging structure of a water heater was invalidated by the Taiwan IP Office ("TIPO"). TIPO's decision was appealed to the Intellectual Property and Commercial Court's ("IPCC") administrative tribunal and was overturned on December 15, 2021.¹

Claim 1 and other claims were determined invalid due to a finding of no inventiveness. Claim 1 has an element reading "a safety fixing piece inserted between a hanging plate and a receiving mount (see Fig. 1)." The prior art evidence demonstrated that a stopping rod penetratingly fixes onto two hanging members to prevent them from relative slippage. TIPO argued that from the text of the claim, the safety fixing piece is not specifically defined in terms of its structure and the particular technical feature of its engagement with the hanging plate and the receiving mount. In accordance with the principle of prohibiting the importing of limitations from specifications into a claim, it would not be appropriate to incorporate the details of the mechanical structure (namely, two side plates plus a reverse U-shaped plate at the front) from the specification into Claim 1. TIPO could only construe the technical feature of Claim 1 according to its broadest reasonable

interpretation—on the literal wording "inserted between." As such, TIPO found that the mechanism of fixation followed by penetration in the prior art evidence was a variant of insertion as featured in Claim 1. Thus, Claim 1 was not inventive over the prior art evidence in view of ordinary skill in the art.

One of the inquiries presented before the court was as follows: in the claim construction, does the prohibiting the importing of limitations from specifications into a claim mean to overlook the specification and drawings?

The answer to this was no; the court held that when construing a claim, prohibiting the importation of a limitation from the specification does not excessively mean disregarding the specification and drawings.

The scope of claims of a patent is defined by the claims while the description and drawings may be considered as a reference when interpreting the claims (§58(4) of the Patent Act). As is the long-established local practice, the claimed scope shall be determined upon the "broadest reasonable construction that is consistent with the description." When the description manifestly expresses the definition and meaning for a

particular term in the claims, said definition and meaning must be taken into account. When an ambiguity arises in the process of construing a claim, one shall consult the description in the specification, drawings, and the general knowledge at time of filing.

On the other hand, it is also required that the limitation in the specification cannot be read into the claim. Such a non-statutory prohibition is another well-established practice for ensuring that the claimed scope is not unduly narrowed. However, it cannot be overly interpreted as turning a blind eye to the specification and drawings and defining the claimed scope solely by the text and words in a claim. Instead, efforts should be made to confirm whether a claim interpretation is improper through the interplay of broadening and narrowing to achieve the objective and reasonable purpose.

Upon investigation of the description in the specification, it was clearly expressed that the insertion of the safety fixing piece would serve to fill the gap between the hanging plate and the receiving mount, and would help to stabilize the heater's body, thus preventing it from shaking. These technical functions, methods and results should be taken into account when construing

Claim 1. In contrast to the insertion of the safety fixing piece in Claim 1, other prior art in the evidence disclosed the method of fixation of a stopping rod—fixed between and penetrating two hanging members—which does not have the function of filling a gap, and therefore does not serve the purpose of stabilizing the heater's body. In view of the above, TIPO determined erroneously that the technical feature of Claim 1 was a variant of penetrating fixation achieved by a stopping rod as disclosed by the prior art evidence.

For these and other reasons, the court vacated TIPO's decision.

The court emphasized that the "broadest reasonable interpretation consistent with the description" was not only the broadest possible scope but was supposed to be reasonable and consistent with the description. More importantly, prohibiting the incorporation of matters from the description into the claims did not amount to a rigid refusal of anything from the description. It is the inherent purpose of the description to help claim construction and to offer text support. The purpose is to reach a reasonably defined scope which lies at the equilibrium of expansion and restriction.

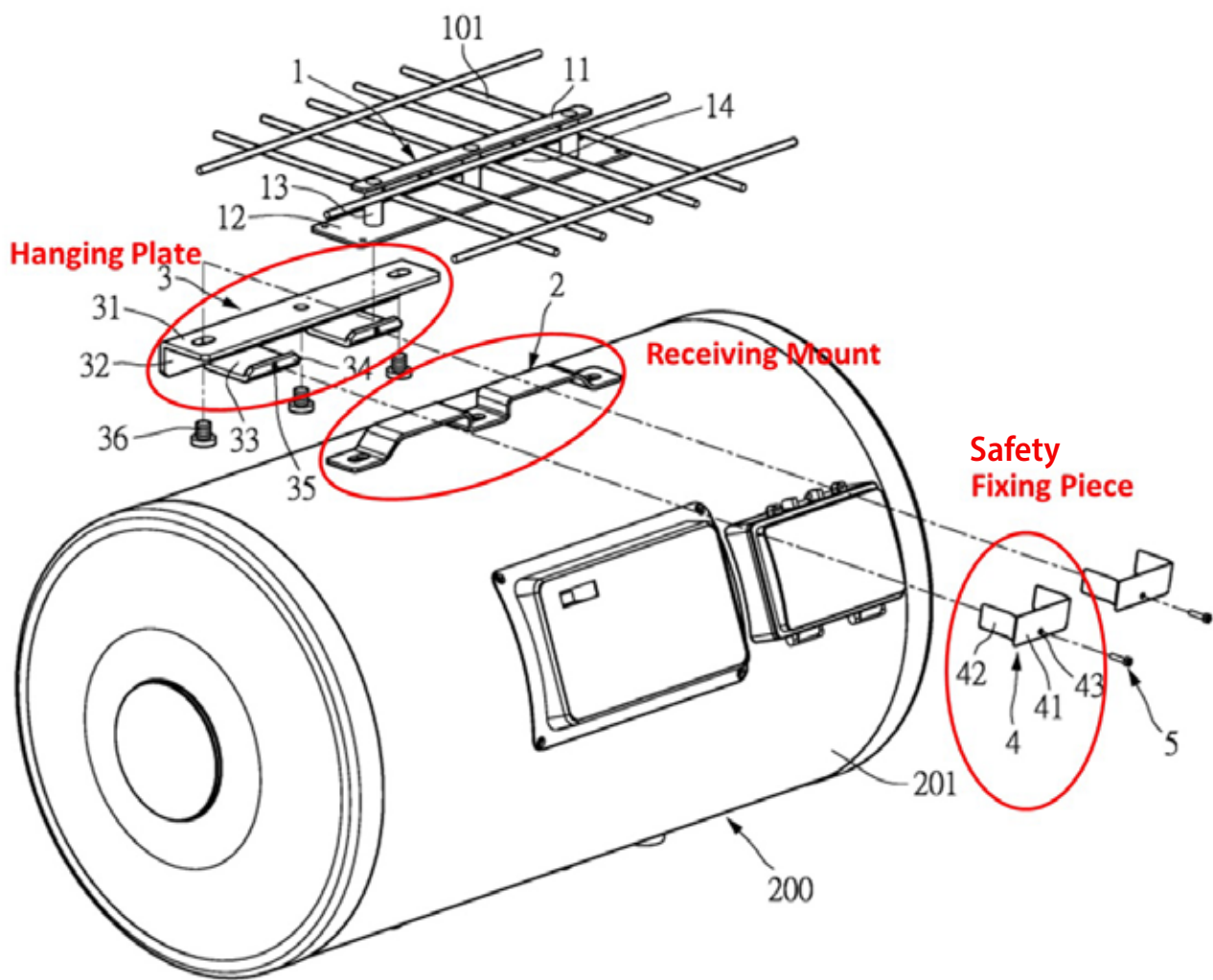


Fig. 1

Exploded view showing how a safety fixing piece can be inserted between the hanging plate and the receiving mount.

Demand for patent ownership rejected due to equivocal contract terms

Tsai licensed the patented technology for a particular mechanical sleeve as per patent no. I366501 (“‘501 patent”) to Hi-Five Products Developing Co., Ltd (“Hi-Five”) in a joint development memorandum (“contract”) in 2012. According to the contract, Tsai promised to transfer the know-how for manufacturing the sleeves, while Hi-Five acquired the sales exclusivity for the sleeves by returning a share of the profits back to Tsai periodically.

Article 1 of the contract reads “any patent modifications and alternatives derived from the ‘501 patent fall within the patent scope of this contract; any new patent models derived from the ‘501 patent also fall within the patent extent of the contract. (“clause in dispute”)”

Later on, Hu, the principal of Hi-Five, filed for and was granted two patents relating to enhanced sleeves in the name of Hi-Five’ s employee Sung (“two disputed patents”). Going forward, the contract terminated in 2015. In 2017, Sung assigned the two disputed patents to Hu.

Tsai sued Hu and Sung in pursuit of a declaratory judgment for the ownership of the two disputed patents, alleging that Tsai himself was the true owner and demanding a transfer of the two patents at issue. The Intellectual Property and Commercial Court (the court of first instance) dismissed the case. Tsai appealed.

The court of appeal firstly analyzed the procedural legality of the lawsuit. Article 247(I) of the Code of Civil Procedures prescribes that “an action for a declaratory judgment confirming a legal relationship may not be initiated unless the plaintiff has immediate legal interests in demanding such a judgment.” A plaintiff has immediate legal interests if a judgment would terminate controversy relating to the existence or non-existence of a right, privilege, duty or liability. A declaratory judgment action is appropriate if it is effective in removing the plaintiff’ s potential risk from a tort act arising from a controversial legal relationship. Tsai argued that he himself was the rightful owner of the two disputed patents, which both Hu and Sung denied. As the ownership dispute was able to be resolved by way of a declaratory judgement, the court of appeal found Tsai’ s case to have an interest of action. The procedural requirement for instituting a declaratory judgment was met.

Next, the court of appeal carefully investigated to which party the two disputed patents belonged by interpreting the definition of the clause in dispute. The court emphasized that the literal meaning of the clause in dispute failed to manifestly reveal the ownership of derivative patent rights. It stipulated that any patent modifications and alternatives derived from the contract’ s

Appendix A, as well as Hi-Five's new patent model(s) derived from the contract's Appendix A, were subject to the patent scope of the contract. That is, the clause in dispute only governed the metes and bounds of the objective, namely the patents or know-how in this very context in the contract. By examining the rest of the terms and conditions in the contract, there is no agreement either on the ownership of rights for a patent derived from the '501 patent.

Furthermore, the court pointed out that the parties entering into the contract were Tsai and Hi-Five, therefore they are the contracting parties. As per the doctrine of privity (or the principle of relativity of a contract), a contract can only generate rights and obligations in favor of, or regarding the obligation of, the contracting parties. This contract did not bind any individuals or entities other than Tsai and Hi-Five. Tsai therefore did not have a standing to name Hu and Sung as defendants in this contract dispute.

As for Tsai's claim of naming himself as an inventor in the two disputed patents, the court found him not to be an inventor. For one thing, the technical features of the two disputed patents were in fact different from those of the '501 patent, and for another, Hu's inventorship was confirmed in another criminal judgment. Hence, Tsai's inventorship claim was groundless.

Tsai lastly put forward an argument that the result of the dispute over the two patents constituted unjust enrichment and infringement of the '501 patent. Again however, this attempt was futile. The '501 patent was published in 2011 and granted in 2012. It became publicly available in 2011, so that any third party would have access to it. Even if Hu underwent necessary research and development activities based on the technical disclosure of the '501 patent, this did not amount to any malicious deprivation or misappropriation of know-how whatsoever. Thus, neither Hu nor Sung gained from unjust enrichment, not to mention that the objective of this case was to confirm ownership, and in no way related to an infringement of an existing patent.

To conclude, the findings of the trial court were deemed correct. The case ruling was affirmed.

An important lesson to learn from this case is the avoidance of ambiguity when drafting a contract. In order to determine ownership of possible new patent right(s) derivable from the background technology, the text of ownership terms must express in clear, explicit and precise wording exactly who will be entitled to said new patent(s). Wherever possible, the contract governing ownership of derivative rights should also, as broadly as possible, bind any team members who have ever had involvement in the research and development tasks for the new know-how.

Revision of Accelerated Examination Program (AEP) Effective from 1 Jan. 2022

Taiwan Intellectual Property Office (TIPO) expanded the scope of eligibility for green patent applications to use Accelerated Examination Program (AEP) and shortened the given pendency for the applications that have met the conditions specified.



Accelerated Examination Program (AEP)

AEP is an effective way to shorten the pendency for the examination of an invention application. The applicants may request AEP under following four conditions which were specified by TIPO.

Condition 1

The corresponding application has been approved by a foreign patent authority under substantive examination

Condition 2

The EPO, JPO or USPTO has issued an Office Action during substantive examination but has yet to approve the application's foreign counterpart

Condition 3

The invention application is essential to commercial exploitation

Condition 4

Inventions related to green technologies

Major amendments of this revision

In order to encourage the research and development of technologies, TIPO amended the rules to expand the scope of eligibility for green patent applications.

Previously, TIPO limited Condition 4 to green “energy” technologies such as solar energy, wind power. From 1 January 2022, Condition 4 can apply to not only alternative energy but also other “green technologies” such as energy-saving, carbon emission reduction.

In addition, the pendency for the first Office Action is also shortened from 9 months to 6 months for the applications which are under Condition 3 or Condition 4.

Effectiveness of AEP

According to the official data in 2020,¹ the average pendency from filing to first Office Action for invention patents without the AEP request was 8.7 months. In contrast, the average pendency for an application having AEP was 1.97 months. Given the meaningfully

improved efficiency, the effect is significantly positive for the applicants who made the AEP request.

Future

Green energy is a dynamic concept. The rules and definitions should be amended with the advance of science and technology. This revision will encourage domestic and overseas applicants to develop new green technologies as the faster grant of patents suggests the ready availability of protectable legal interests in Taiwan.

From the historical data, the average pendency from filing to the first Office Action under AEP is less than 3 months regardless of the condition based on which to request for. In addition, this program may expand the scope of eligibility and, parallel with another fast-track mechanism – the Patent Prosecution Highway program (PPH), it is hoped to attract more prospective applicants to file the applications of inventions patents in Taiwan.

¹ P.6, TIPO Annual Report 2020



China cuts down papers to embrace electronic certificates

According to CNIPA's Announcement No. 349 for the "Related Matters about Electronic Patent Certificates and Electronic Seal for Electronic Patent Applications" released in January 2020, for all electronic patent applications which are granted on or after March 3 of 2020, CNIPA issued patent certificates only in an electronic form via the e-filing system.¹ Paper certificates were no longer provided by default. But the applicants were permitted to make requests case-by-case to demand hard copies on the e-filing system if needed.

In February 2022, about two years later after Announcement No. 349, the CNIPA further made Announcement No. 472² to cease all hard copies issuance of patent certificates. As a part of the effort to strengthen digitalization of administrative efficiency by implementing comprehensive e-government measures, CNIPA vows to create a one-portal accessibility for all patent services. From March 1st of 2022, CNIPA

no longer accepts any requests for paper patent certificates. Accordingly, electronic patent certificates will be the only form of document that the patentee receives. To ensure security and credibility, the authenticity of an electronic certificate can be verified on the patent e-filing platform.

As for applications for trademark registrations, CNIPA had an Announcement No. 453 in October of 2021 to address that no more hard copies of trademark registrations were available starting from January 1st, 2022.³ Applications that were filed in papers will be issued a Notification to Receive the Certificate for Trademark Registration at the time of allowance. The applicants are able to retrieve the certificate from online based on the instructions in the Notification. Similarly, for e-filed applications, the applicants are able to download trademark registration certificates from the e-filing system on their own.

¹ https://www.cnipa.gov.cn/art/2020/2/4/art_74_11642.html

² https://www.cnipa.gov.cn/art/2022/2/11/art_74_173171.html

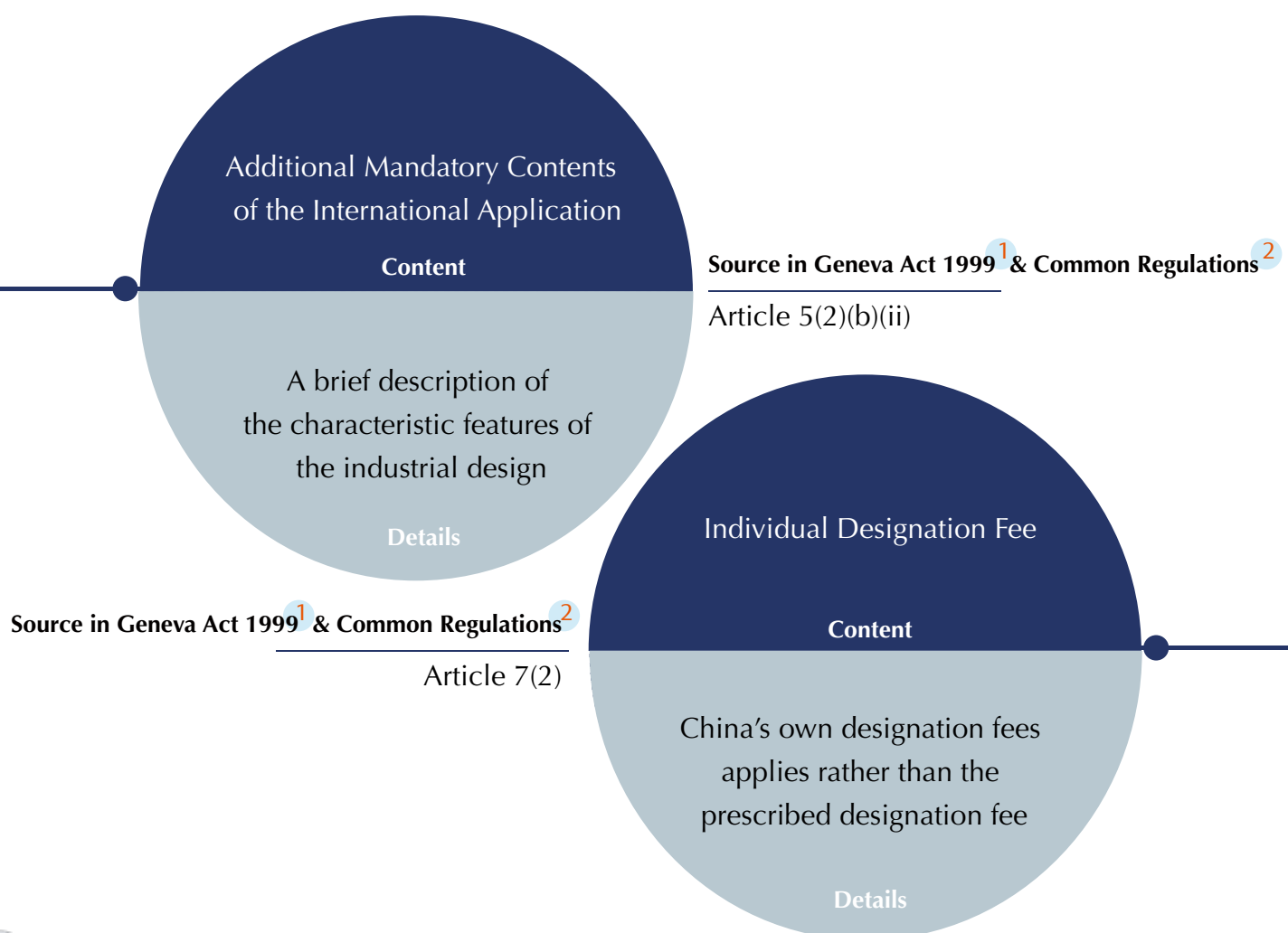
³ https://www.cnipa.gov.cn/art/2021/10/12/art_74_170694.html

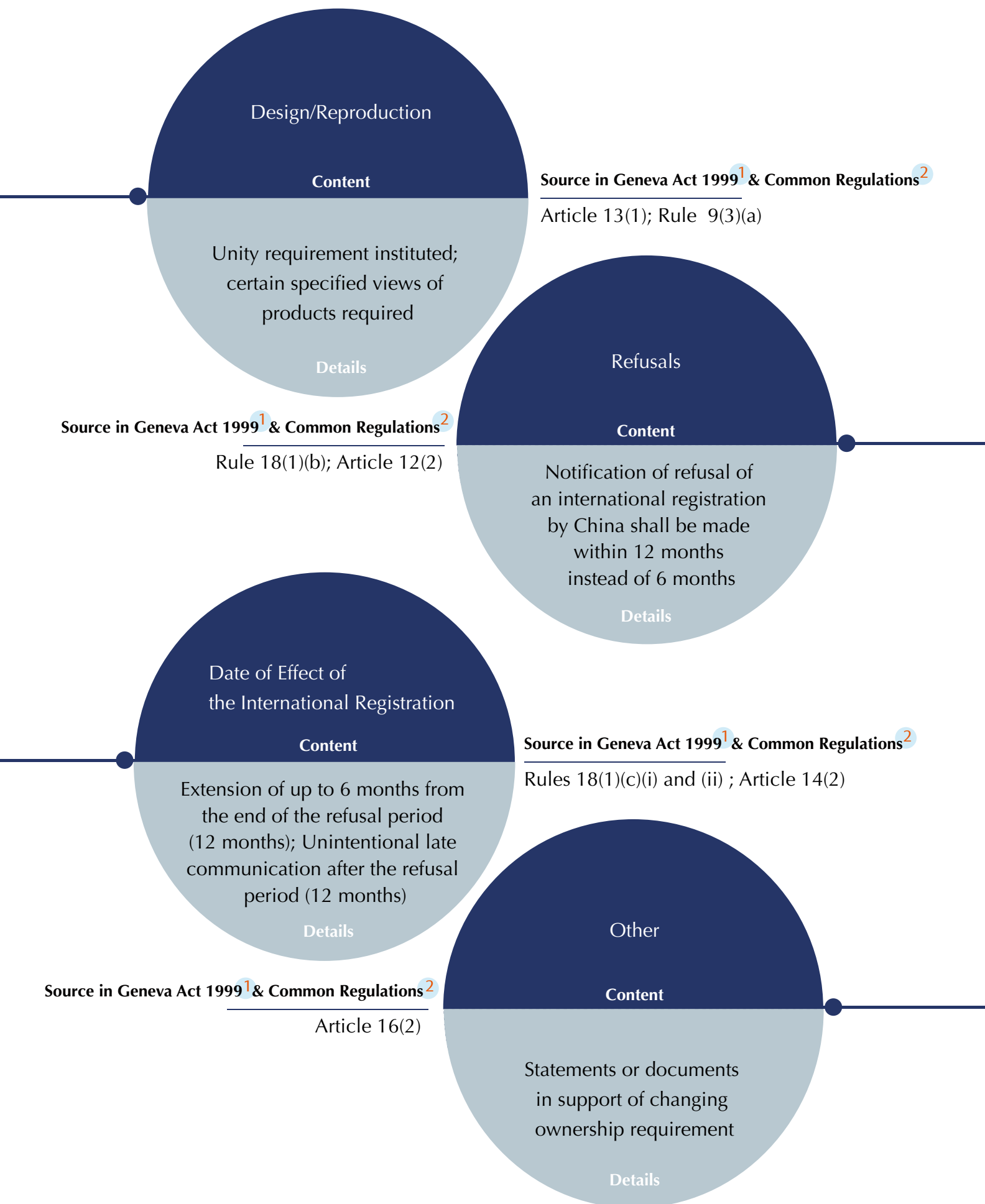
China joined two WIPO treaties – the Hague Agreement and the Marrakesh Treaty

On February 5th, 2022, China officially deposited its accession documents for entering the Hague System for the International Registration of Industrial Designs and the Marrakesh Treaty (which increases the accessibility of publications to people with visual impairment), before the commencement of the Beijing Olympic Winter Games. The accession will take effect on May 5th, 2022.

China became the 68th contracting party to the Geneva Act (1999) of the Hague Agreement and, therefore, the 77th member of the Hague System. Chinese residents are now able to conveniently secure their design rights in other Hague member countries by filing one application, thus saving both time and costs. In order to be brought in line with the Hague System, China's design patent term was extended to 15 years for new applications filed on or after June 1, 2021.

Of particular importance, China made a statement to adapt its own national legislations for designs, as below.





¹ <https://wipolex.wipo.int/en/text/285214>

² https://www.wipo.int/export/sites/www/hague/en/legal_texts/hague_system_regulations.pdf

China's accession to the Hague System does not apply in the Hong Kong SAR and the Macau SAR, unless it is otherwise notified.

Although the Hague System may help the filing of single applications, the CNIPA shall necessarily carry out examinations according to the domestic requirements for lawful design patents, and shall investigate the document formalities and apparent defects such as lack of novelty or unity where a search is required. While the Hague System allows 100 designs under the same Locarno class per international application, China permits up to 10 embodiments sharing the same Locarno subclass in one application. In addition, China has a set of particular rules for drawings. Shadows and reflections resulting from different levels of brightness of an object in a perspective view are not allowed. An international application having any elements that are inconsistent with the domestic requirements will lead to a refusal.

What is more, engagement with a local agent is inevitable when a matter dealing with the CNIPA arises. For a foreign applicant with no domicile or business establishments, the application should be represented by a Chinese agent and the responses to the refusal should be submitted via a Chinese agent.

All other local rules in relation to international applications under the Hague System are pursuant to the Patent Examination Guidelines, which are currently in draft form and therefore not yet in effect (at the time of publishing of this article in March).

In addition to the Hague Agreement, China joined the Marrakesh Treaty to Facilitate Access to Published Works for Persons who are Blind, Visually Impaired or Otherwise Print Disabled, which is dedicated to facilitating the accessibility of textual works to those with visual impairment. It is estimated that there are 17 million visually impaired people in China. Under the Marrakesh Treaty, these people will be able to benefit from the simpler creation and international transfer of the modified versions of textual works. WIPO's Accessible Books Consortium (ABC) will collaborate with NGOs and stakeholders to greatly increase the number of Chinese-language books available in visually impaired-friendly formats.

IPC Court Affirmed a Work Rule being a Reasonable Basis to Reward Service Invention Patents

On March 7, 2022, the IPC Court issued a decision 108-CivilPatAppeal-No.36 regarding the adequacy of inventor remuneration. The court stated that interpretations of laws should not go beyond the choice of legislative policies.

Yang was an employee in United Epitaxy, where he had been engaged in the research and development of LED-related new products from 2000 to 2003. United Epitaxy filed and was granted three Taiwanese patents resulting from Yang's inventions. Yang complained that United Epitaxy failed to reasonably compensate him when the company subsequently generated a significant profit from Yang's patented inventions.

As United Epitaxy merged into Epistar in 2005, Yang sued Epistar for TWD 10 million as an outstanding employee's invention remuneration. The IPC Court in the trial ruled against Yang. He appealed the case (remaining in the jurisdiction of the IPC Court) and claimed an additional sum of TWD 40 million.

The appellate court began its analysis by defining the statutory provisions and a work rule in relation to the remuneration. Article 7(1) of the Patent Act reads: "where an invention is made by an employee in the course of performing work duties, the ownership of invention and the patent

right thereof shall be vested in the employer ("ownership clause") and the employer shall pay the employee reasonable remuneration ("remuneration clause"); where there is an agreement providing otherwise, such agreement shall prevail ("overriding clause")" . That is, the ownership of a work-for-hire belongs to the employer and, meanwhile, the employee is entitled to an extra payment rewarding his or her contribution which is, notably, in addition to the salary package. This is however a default rather than a mandatory rule. If there is an alternative agreement or a work rule stipulating differently, the default rule shall be overridden. As the overriding clause of an agreement comes after both the ownership clause and the remuneration clause in Article 7(1), an agreement, if one so exists, should govern not only by whom the service invention be possessed but also the practices for rewarding an employee. In other words, if there is an agreement between parties with regard to the ownership of right or adequate remuneration, this agreement shall prevail.

In the present case, the court found that United Epitaxy had promulgated a Reward Protocol which had clear and manifest guidance on the fixed amounts of remuneration. Specifically, in Section 5.2 of the Reward Protocol, "the amount

of reward is: NTD 8,000 per patent application filed; NTD 15,000 per Taiwan or mainland China patent granted ...” Apparently, the Reward Protocol was an established alternative over the default rule in Article 7(1). Since Yang admitted that he had received his service invention reward according to the Reward Protocol, Yang’s extra claim for the sum of NTD 50 million was groundless, the court stressed.

Yang raised several other supporting arguments but, discouragingly, none of them were admitted.

Firstly, Yang wrongfully interpreted the structure of the statutory text in Article 7(1). He argued that the original version of the bill for Article 7 (1) contained only the default ownership clause and the overriding clause. The reasonable remuneration clause was inserted between said two other provisions at a very late stage in the legislation—just prior to the passing of Article 7 (1). Yang therefore insisted that the original legislative intent required that an agreement such as a work rule would not be able to override the remuneration obligation. However, the court repudiated this, explaining that such an interpretation did not bind the court. The court investigated the bill’s legislative history

and discovered that congresspersons had been discussing whether there should be a law to demand a specific remuneration amount in the absence of a work agreement. Hence, it was clearly evident that the overriding clause should cover both the default rules of the ownership clause and the remuneration clause.

Referring to the introduction of another bill of amendment to Article 7, Yang highlighted a proposal aimed at improving the employee’s benefits to be remunerated. In the proposed Article 7(2), instead of only obliging the employer to pay, the employee was conferred an entitlement to claim a reasonable remuneration. Furthermore, in the proposed Article 7(3), on the subject of whether a payment of remuneration is adequate, it was suggested that the consideration factors should include the employer’s profits gained, the employer’s costs and contributions, and the employee’s overall compensation. However, as the court emphasized, this proposal was ultimately not passed. This proposal had no place in the interpretation of the currently effective Article 7. Since United Epitaxy’s Reward Protocol was a lawful agreement under Article 7, Yang accordingly received a set amount which did not contravene any

mandatory rules as per Article 71 of the Civil Code. United Epitaxy' s Reward Protocol was valid.

Yang continued to criticize the reward amounts from said Reward Protocol for being excessively low. Article 247-1 of the Civil Code is a fair treatment provision to nullify a term in a standardized contract set by one party when the term is found to be clearly unfair to the counterparty that has minimal or no power to change it, including by means of waiving or lightening the obligations of the party setting the contract. In Yang' s opinion, the Reward Protocol according to which he received payments was unfairly miserly. The court refuted Yang' s argument on the grounds that the Reward Protocol was a lawful basis for awarding a service invention prize and it did not waive the employer from such an obligation. The court further elaborated that an employer' s investments in patents did not necessarily translate into generation of profits dollar for dollar. A commercial success might rely on a series of other massive costs in production, management, human resources and so on. In view of these factors leading to an employer' s expenditures and gains, the remuneration amounts set in the Reward

Protocol were not obviously excessively low, inadequate or unreasonable. Even though Yang argued—by citing comparative legislations from various countries—that the current rule does not safeguard the interests of inventors who are in a disadvantageous position, the court rebutted this claim and indicated that interpretations of laws should not go beyond the choice of legislative policies. The question should be left to the legislative department for consideration and should be resolved through legislative procedures.

To summarize, the IPC Court affirmed the trial decision, deeming it to be correct. Yang' s appeal, together with claims totaling NTD 50 million, were dismissed. The decision is appealable to the Supreme Court.



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