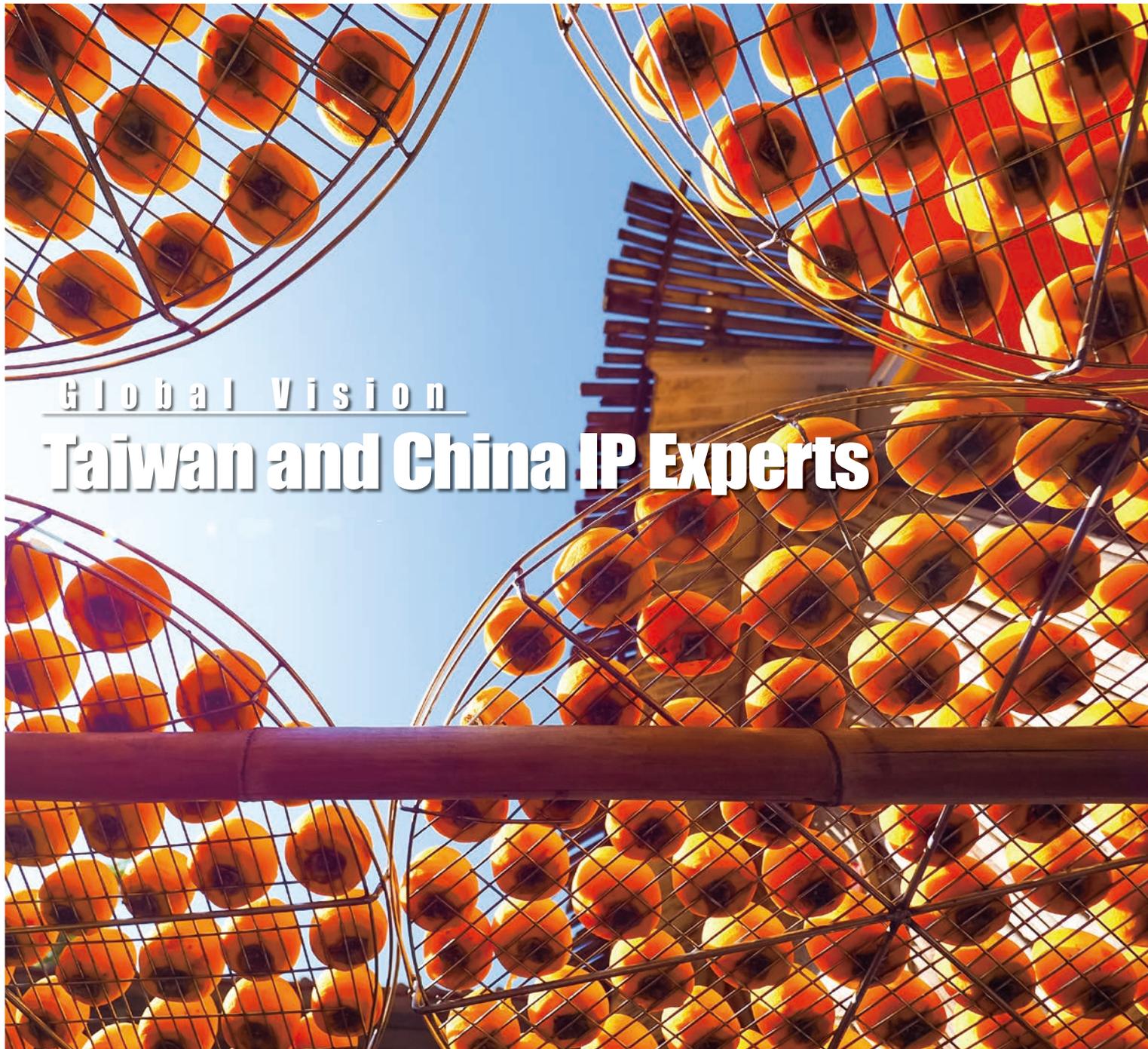


# TIPS<sup>®</sup>

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## Groove Design of Luxury Suitcases is Again Confirmed as Protectable Trade Dress

At the end of 2015, in a pioneering judgement, the Taiwan Intellectual Property Court (Court) determined for the first time that the signature groove design of the travel suitcase leader Rimowa is a well-known symbol of the product under the definition of the Fair Trade Act.<sup>1</sup> About nine months later in September 5 of 2016, the same court in another decision, No.104-CivilPublicAppeal-9, confirmed that a defendant's use of the groove design pattern on their own luggage products is infringement upon Rimowa's well-recognized well-known symbol.

A symbol is a general term which refers to any indication, trademark or other symbols that can represent the characteristics of a product, including a product container, packaging or the appearance of a product, according to the legislative rationale provided by the Fair Trade Commission. Therefore a "symbol" prescribed and protected by the Fair Trade Act is also understood as "trade dress" protection. This case signifies a milestone in trade dress protection by means of civil remedy under the Fair Trade Act. The Court has established a consistency of opinion in finding the well-known status of the appearance on Rimowa's products and the infringement of groove design being used on travel cases of others.

As the Plaintiff, Rimowa filed a lawsuit with arguments centered at the idea that the groove design acquires distinctiveness which is protectable under the Fair Trade Act. Defendants countered that the disputed groove design had appeared in the relevant market for

a significant period of time and was not commonly known enough to general consumers in order to disqualify its protectability. Defendants also countered that the pricing and sales channels were also different.

The Court began by analyzing the elements of groove design and evidential materials supporting its fame, the Court then found Rimowa's groove design being a well-known trade dress. Rimowa had long been repetitively conveying its concept of groove designs to suitcases consumers by the consistent use on their products and through many available marketing channels. Groove pattern has become able to indicate Rimowa as the authentic source of a particular brand of suitcases.

The Court concluded that the defendants' act of selling suitcases with an appearance similar to Rimowa's product constitutes an infringement under Article 22 of the Fair Trade Act. By observing each infringing suitcase compared with the Rimowa's in different time and places, they resemble with each other although some different elements exist. Such a resemblance may create a likelihood of confusion to relevant consumers as to the genuine source of the Rimowa's products.

The Court also analyzed if any violation under Article 25 of the Fair Trade Act, which forbids the exercise of deceptive or obviously unfair conduct that is sufficient to influence the order of trade. A deceptive or obviously unfair conduct can be passing off other's good will, high degree of plagiarism, or utilizing

<sup>1</sup>See Tsai, Lee & Chen's TIPS 2016 January issue



## Groove Design of Luxury Suitcases is Again Confirmed as Protectable Trade Dress



other's efforts to promote its own products or services. As aforementioned, the Defendants' use of the groove design pattern is an infringement of well-known trade dress. Plus, Rimowa's groove design enjoyed a high degree of market strength and is widely recognizable among relevant consumers. Thus the defendants' subsequent sale, marketing, and importation of infringing suitcases that are deemed dead copying is a plagiarization of Rimowa's good will under Article 25, as the Court opined.

This case also features how the Court considered damage calculation under the Fair Trade Act. Unlike other laws of IP where some statutory calculation is specifically provided, such as multipliers of the unit sale price, the Fair Trade Act in its Article 31(2) only stipulated plaintiff's claim basis as being "the monetary gain to [the] infringing person." As reasoned in the judgment, because trade dress infringement is similar to trademark violation, the Court analogously adopted the multiplying factor under the Trademark Act to reach the damage amount.

Considering the foregoing, defendants' use of groove design is determined as an infringement of trade dress. The Court granted an injunction prohibiting subsequent sales, transportation, importation, and exportation of the infringing products as well as awarding a nominal damage of NT\$1,000,000 as claimed by the plaintiff. This case was then appealed to the second instance of IP Court by the defendants.



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## Best Practice for Joint Ownership of Patent in Taiwan

<sup>1</sup>§817 of Civil Code

**Joint** ownership of technological achievements is a popular topic attracting the interest of many fields of industry. An invention with more market value is often the fruit of collaboration between academic institutes and industries by means of joint development or co-investment. Moreover, following the accelerating pace of globalization, it has become more commonly seen that a successful new product originates from the collaborative contribution of technical experts from different parts of the world. Entering a clearly drafted joint development agreement that defines each party's privileges and obligations regarding a resulting invention is thus a necessary topic for discussion before commencing any form of cooperation. Hereby we introduce how the patent law regulates a joint ownership of an invention in order to provide guidance for best practices.

### *Definition of Co-Inventorship*

The Patent Act does not specifically define what may constitute a joint ownership of patent or the right to apply for the same. In practice, a person who has substantial contribution to technical features of the resulting invention, for at least one claim, can be named as an inventor to a subsequent patent application.

Particularly, such a person having “substantial contribution” means one who engages in the conception of a specific and achievable technical means, which possess a technical effect to resolve a given technical problem (IP Court judgment No. 104-CPA-4). A person who merely assists in operating experiments or tests is not considered as an inventor (IP Court judgment No. 102-CPA-23). Meanwhile, how each individual share of patent ownership is distributed is a contractual matter and should be subject to the joint owners. When the ownership for each joint owner cannot be distinctively identified, it will be presumed that each joint owner has equal share of the ownership.<sup>1</sup>

### *The Exercise of Joint Patent Rights*

The Patent Act provides several imperative regulations as to exercising rights under an effective joint ownership for patents:

Firstly, each joint patent owner has the right to exploit the patent without the consent or compensation that may be due to the other joint owners. However, there is a limitation for the disposal of his/her share of the right. Namely a joint owner cannot license exclusively or non-exclusively, assign, entrust, set up a pledge, or





<sup>2</sup> §64 of Patent Act

<sup>3</sup> §65 of Patent Act

<sup>4</sup> §12 of Patent Act

abandon the entirety of the patent without unanimous consent from all joint owners.<sup>2</sup> Said consent does not necessarily follow a strict formality, it can be either expressive or implied. Particularly, consent does not have to be made concurrently with the occurrence of any disposal event. Consent is valid even being made in advance as an undertaking or retroactively as recognition of the disposal. In some precedent cases valid consent was derived from a majority decision which all joint owners agreed in advance regarding how to exercise the patent rights. It could also be derived from a designated representative or a plurality of representatives whom all joint owners have appointed.

Next, a joint owner's share of the patent right cannot be assigned, entrusted, or established for a pledge, without unanimous consent from all other joint owners.<sup>3</sup> This provision was so legislated to avoid resulting in an even more complicated co-ownership relationship for a patent. On the other hand, a joint patent owner's abandonment of his/her own share, on the contrary, does not require unanimous consent from other co-owners. The abandoned share will be allotted to other joint owners in proportion. Whereas a joint owner cannot license the entirety of the patent right to others without other joint owners' consent, it remains a legal question whether he or she can license his or

her own share of the patent right. Although the Patent Act does not expressly stipulate the co-owner's act of licensing, the legislative rationale has indicated the legislator's position that consent from all co-owners is still required:

*"The share of each patent co-owner exists abstractly in the entirety of the patent right. As such there is no specific portion of share, it makes no difference from licensing one's own portion to licensing the entirety of the patent right."*

In the event where a patent infringement is likely, any joint owner may independently institute a law suit against the infringers to cease and prevent the infringement. In terms of the monetary damages, a co-owner can either claim damages proportionally according to his or her own share, or claim the entire damage amount paid to all joint-owners on behalf of all joint owners.

Pursuant to Article 12 of the Patent Act, "[where the ownership of an invention] is jointly owned, the patent application related thereto shall be filed by all the joint owners."<sup>4</sup> As a remedy available for a true co-inventor who fails to be named as one of the joint owners upon

<sup>5</sup> §73 of Patent Act<sup>6</sup> §35 of Patent Act

filing, said co-inventor is entitled to a declaratory judgment requesting the court to confirm that the applicants are not the true owners to file for the patent. In the meantime, the true co-inventor may invalidate the already issued patent on the same grounds of incorrect ownership within two years from its issuance.<sup>5</sup> If the declaratory judgment is in favor of the co-inventor, a request may be made to the Taiwan IP Office (TIPO) for a corresponding disposition to the pending invalidation proceeding. Within two months from TIPO's decision revoking the patent, the correct owners may file application covering the same invention to enjoy the same filing date. As expected that the substantive patentability for the same patent has been previously examined, the examination process will mainly entail change of ownership to reflect the true owners, and therefore the new application will normally be granted quickly.<sup>6</sup>

In summary, joint-ownership is a rather complicated legal relationship and many disputes may arise therefrom. It is always recommended that the interest parties shall enter into a collaborative agreement as a fundamental guidance before the contracted parties contribute their works. When there is no agreement or the agreement is silent in a particular issue, relevant rules as prescribed in the Patent Act and the Civil Code, as well as the judicial interpretation, shall prevail and be applied as default rules to resolve disputes.



## The Current Trend of FinTech Related Patents in Taiwan

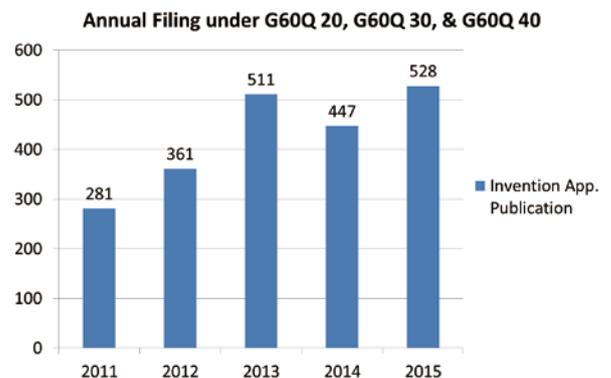
**FinTech**, short for “financial technology,” is often understood as integration of IT in financial services e.g. banking, insurance, investment, capital raising, etc. FinTech has become a popular topic lately because it opens up the traditional competition environment in finance, and integrates technology and the Internet into the field of digital finance. It is said that the innovation in finance may prompt Taiwan’s industry to transform to the next age, therefore, FinTech has attracted the government’s interests and attention.

The scope of FinTech applications includes various innovations in big data, the internet of things (IOT), mobile platforms, security mechanisms, and cloud systems. Many fintech inventions have been launched and their creators are seeking effective IP protection. Patent for computer software related inventions is an important mechanism to meet such a purpose. In response to this prosperous topic, the Taiwan IP Office (TIPO) held a seminar in July inviting discussion on the current statistics of patent filing, patentability of invention, and other prospectives in relation to FinTech.

### Statistics

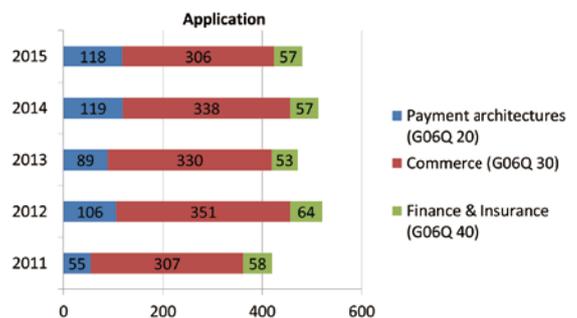
Fintech related patent filing in Taiwan is experiencing steady growth. By reviewing the statistical figures during the last five years, the count of patent applications filed under class G06Q of the International Patent Classification, namely computing, calculating, and counting related inventions is 5,244, in which 4,216

cases (approx. 80%) are filed by domestic applicants. Particularly, the annual filing count under G06Q 20 (payment), G06Q30 (commerce), and G06Q 40 (finance and insurance) has increased to more than 400 after 2013, as shown in Fig. 1.

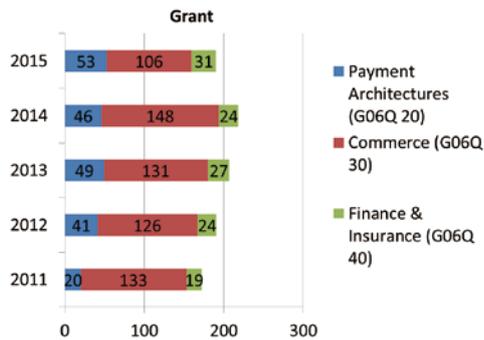


► Fig. 1 (open statistics from TIPO)

In more detail, the profile of application and grant in each classification during 2011 to 2015 is shown in Figs. 2 and 3. For classes of payment and commerce, more than 1/3 of applications have been granted to patents. Granting rate for finance & insurance is even higher.



► Fig. 2 (open statistics from TIPO)



► Fig. 3 (open statistics from TIPO)

The representative top 11 filers for FinTech innovations during the past 10 years are shown in below table, according to the TIPO's search database. Respectively each applicant has its own concentration of patent filing portfolio which somehow reflects its business development strategy. Among the top 11, domestic applicants account for five seats.

	Nat.	No. App.	Industry	Application Analysis
Alibaba Group	CN	184	e-commerce	More filings devoted to cloud systems before 2015 but application for big data has been increasing afterwards. It features novel algorithms able to figure out online shopper's purchase behaviors, useful for backend computation of product personalization.
Yahoo	US	140	Internet	Application publication peaked in 2009 while some inventions for cloud systems remain.
Chunghwa Telecom	TW	117	Communication	With a persistent focus on security mechanisms, investment in cloud systems has become prosperous since 2010 while big data applications has become eminent since 2014.
Rakuten Inc.	JP	111	e-commerce	Focus on platform services for online auctions, personalized advertisements, and product recommendations.
Shacom	TW	75	Online Financing	Technology investment in online financing platform providing P2P lending services.
Microsoft Corp.	US	70	IT	Application publications for cloud systems have increased prominently since 2008 and the same for big data also increased in 2013.
Tencent Inc.	CN	45	Internet	Although being a late participant, application publication surged in 2015 with equal concentrations in cloud systems and security mechanisms.
Mitake	TW	44	IT	Applications almost all relate to software interface of portable devices.
IBM Corporation	US	34	IT	Focus on cloud systems but no application publications found in 2015.
President Chain Store Corp.	TW	27	Retail & Logistics	Applications relate mostly to cloud systems and relevant methods to provide a diversity of convenience store services.
Taiwan FamilyMart Co.	TW	27	Retail & Logistics	Cloud systems and method for convenience store services is quite average each year.

### Patentability

Article 21 of the Patent Act defines an invention being “[t]he creation of technical ideas, utilizing the laws of nature.” Deriving from the statutory definition, an invention, including one leading to FinTech, has to have “technical character,” suggesting that the invented means for solving a given technical problem has to be a technical means in the engaged technical field. More specifically it is provided in the Guidelines for Patent Examination which specifies that the entirety of the means for solving a given technical problem must have technical characters when the technical effects that are beyond regular physical phenomena between the program and computer has arisen during the execution of said program. A mere presentation of financial information or simple utilization of computers is not a patentable subject matter because they only produce an effect that is the same as the original functionality of regular software or hardware. On the contrary, when a software or hardware is indispensable, unique, overcoming difficulties, or substitutes for human work, to solve technical problems by making improvements or by bringing about new functions, it will be eligible subject matter. For example, an eligible business method is indicated here, as reworded regardless of formality herein presented,<sup>1</sup>

A business method for buying variable credits comprising:  
Inputting a datum of a card product to an electronic device;

Inputting a designated amount of transaction by a client to said electronic device;  
Connecting said electronic device to a logistic server;  
Confirming the card product and the designated amount of transaction by the logistic server; and  
Printing a password for bought credits by a printed connected to said electronic device.

The subject matter described in the claim is patent eligible because the hardware employed herein is found unique and irreplaceable. That, for selling cards of game credits, suppliers need to make cards with fixed denominations which is a burden for both storing and clearing inventory has been successfully solved by the invention.

A FinTech invention further needs to have inventive step before being granted patentability. Notably an invention possesses an inventive step if an invention produces the same effect or function only by, application in different technical fields, equivalent replacement or by addition of publicly known technical features, systemization of people’s transactional or business activities by regular methods, or softwarization of the functions executed by hardware, except that either one of the aforementioned means produces unexpected results or solutions to the long-felt needs. However, the addition of a feature that does not contribute to technical character does not enhance inventive step. For instance, a claim indicates, as reworded regardless of formality herein presented,

<sup>1</sup>Taiwan Patent I490800, represented by Tsai, Lee, & Chen



An online transactional system comprising:

A web server, wherein a variety of products are displayed on web pages for browse by customers; and

A transactional server, wherein said transactional server receives customers' online orders and, after obtaining payments, instructing a logistics server for scheduling shipment;

Wherein the online transactional system applies a full refund policy guaranteeing customers to refund or exchange products within seven days since purchase.

Unfortunately because the "full refund policy" is not contributing to technical character of the invention, this claim does not make over prior arts and therefore has no inventiveness. In summary, whether a software-related invention is a patentable subject matter depends on the existence of "technical character." A repackaging of a business model by using simple computer skills is not eligible for patents. For determining an inventive step, whether a feature contributes to technical character, among others, serves as an auxiliary factor. An addition of a feature that does not help in enhancing technical character is futile.

### *Turning Negatives into Positives*

As a rising topic, FinTech can be both an opportunity and a challenge for Taiwan's finance and IT sectors. It is

very obvious that each bank has formed its own strategy planning for patent protection schemes in FinTech innovations. Besides, most domestic banks are not yet fully familiar with that to which extent the patent system can do benefits to them. As for the IT sectors, legal restrictions, developing more IT applications in financial industry, reforming client's orientation using technologies in personal banking, acquiring more funds investing in R&D, etc. can all be difficult barriers.

In a positive light, where there is a challenge, there comes an opportunity. Taiwan's FinTech is not fully blown, banks and IT sectors may have more flexible options exploring for different tools or products. In addition, the government has fashioned policies and proposed new programs to support FinTech companies. Aides and resources in collaborative development are easier to obtain. To protect new inventive concepts in FinTech, patents are a necessary instrument. Since Taiwan seems to be rather liberal in the examination of patentability for computer software related inventions comparable to some foreign jurisdictions, a potential player in the FinTech market should not easily back out from such a good opportunity occupying a niche.

## Draft Amendment to Pharmaceutical Affairs Act Introduces Patent Linkage System and Revised Data Exclusivity

**Taiwan's** Administrative Yuan passed a draft amendment to the Pharmaceutical Affairs Act (Amendment) proposed by the Ministry of Health and Welfare. This Amendment was drafted in response to Taiwan's negotiations for joining the Trade and Investment Framework Agreement (TIFA) and the Trans-Pacific Partnership Agreement (TPP). In order to comply with Chapter 18 of the TPP for Intellectual Property, Taiwan needed to revise the provisions for data exclusivity and introduce a patent linkage system. The Amendment may potentially create impact on the domestic pharmaceutical industry, therefore there are some doubts and skepticism which has arisen regarding the Amendment.

### *Data Exclusivity for Drug of New Active Ingredient*

The Amendment clarifies that the Taiwan Food and Drug Administration (TFDA) will not accept or process, within three (3) years from the approval of a new ingredient drug, any applications for market approvals from competitors who cite the data for the same drug. In addition, market approval will only be granted after five (5) years from the approval of the drug which has a new ingredient, meaning the holder of a new drug approval enjoys essentially a five-year duration of market exclusivity.

On the other hand, the duration of data exclusivity for a new therapeutic indication will be three (3) years, or five (5) years if the clinical trials are performed in Taiwan, from the approval.

For new drugs or new indications granted with market approval from a foreign authority, the aforementioned exclusivity shall be applicable only when their

application for Taiwanese marketing is submitted within a specified time period from their foreign approval, namely three (3) years for new drugs, or two (2) years for new indications.

### *New Chapter for Drug Patent-Approval Linkage*

The Amendment includes a new Chapter 4-1 in the Pharmaceutical Affairs Act which specifically provides patent linkage to connect a drug's IP protection and regulatory approval for marketing. According to the provisions of the patent linkage system, the new drug holder, usually being a patentee, shall list the patents and submit required information within 45 days from receiving the market approval. In another scenario where the market approval is granted prior to patent issuance, the new drug holder may submit patent information within 45 days.<sup>1</sup> Eligible subject matter for listing these patents are pharmaceutical substances, composition or formulation, and medicinal use. For some circumstances of changes to patent status, they shall be reported within 45 days of the occurrence.<sup>2</sup>

To file for an Abbreviated New Drug Application (ANDA)<sup>3</sup>, the generic competitor must indicate that the drug has no patents, that each listed corresponding patent is expired, that a new approval may be granted to the competitor until all corresponding patents expire, or that each listed corresponding patent is invalid or not infringed.<sup>4</sup> By challenging patents being either invalid or not infringed, the generic competitor shall notify the patentee and TFDA of such. In a situation where a patentee may initiate an infringement action, it must be within 45 days from competitor's notification, and the TFDA shall stay 15 months from granting any approvals.<sup>5</sup>

## Draft Amendment to Pharmaceutical Affairs Act Introduces Patent Linkage System and Revised Data Exclusivity

Furthermore, to encourage competition in the pharmaceutical market, the first challenger successfully invalidating patents or pursuing no infringement will enjoy a 12-month exclusivity for sale, which shall start within six (6) months from approval.<sup>6</sup>

Lastly, a blockade has been installed to prevent anti-competition activities such as pay-for-delays. Any agreements between patentees and the generic competitor shall be reported to the TFDA. In response to any foul play compromising the interests of public health and trading order, the Fair Trade Commission will involve.

### Debates and Doubts

Despite the foregoing draft Amendment is a reorientation of policy, some interest groups lobby and argue that grafting such a comprehensive set of foreign rules onto Taiwan's own patent system will not lead to a benign and positive cycle for Taiwan's economy. Taiwan's drug manufacturing industry is consists mostly of comparatively small- or medium-size generic makers while patents are mostly held by internationally leading enterprises. Due to patent linkage, the generic drug's marketing as well as its exportation will inevitably be postponed, which signifies a commercial impact on the domestic industry.

What may in fact occur, is patent linkage delaying the schedule of a generic's marketing approval, and Taiwan's national health insurance program may deal with increased costs for the time period using patented drugs. The result is that the general public will not benefit from financially sustainable and affordable insurance protection.

Furthermore, by reviewing the numbers and terms drafted, some wonder what the rationale behind these figures were, such as the 12-month generic exclusivity. Why 12 months would more economically incentivize a generic competitor to challenge than, for instance, a 180-day period? Currently the TFDA does not seem to integrate a set of compelling arguments supporting the technical issues of the Amendment.

### Short Conclusion

The Amendment was drafted for Taiwan's negotiation entering TIFA and TPP. It largely adopts a version of the system from a single country and therefore invites some critics that negative impact on the domestic pharmaceutical industry may be foreseeable. To be more economically justifiable, the Administration is advised to propose a comprehensive analysis on drug price, public insurance, industrial development, and so on before submitting the draft for legislative approval.

<sup>1</sup> §48-3 and §48-5

<sup>2</sup> §48-3, §48-6

<sup>3</sup> Subject only to examination for bioavailability (B/A) and bioequivalence (B/E)

<sup>4</sup> §48-9

<sup>5</sup> §48-13

<sup>6</sup> §48-16 and §48-17



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