



### Global Vision Greater China IP Experts

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# Taiwan and China IP Experts

-Global Vision-



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## New Rules for Patent Interviews Launched



**On** July 1, 2017, new rules for patent interviews came into effect as “the Operation Directives on Interviews for Patent Cases” (Operation Directives) were amended.

The statutory law affording the availability of an interview for a pending patent case is rooted in §42 and §76 of the Taiwan Patent Act, which is paraphrased:

“during the examination for a patent application (except for utility model) or for an invalidation action, TIPO may, upon request or on its own initiative, notify the applicant to attend an interview before TIPO, within a designated timeframe.”

Based on these statutory provisions, TIPO formulated Operation Directives as the general procedural guidance to actually conduct an interview. TIPO has occasionally made several amendments to Operation Directives in response to comments or criticism received from the interview participants or concerned public.

According to the new rule, seeking to be granted an interview, the requesting party will have to use an independent and standardized interview request form prepared by TIPO (available at <https://www.tipo.gov.tw/ct.asp?xItem=545502&ctNode=7497&mp=1>). In addition to demands for personal and case identifications on the standard form, the requesting party is required to specifically state the intention,

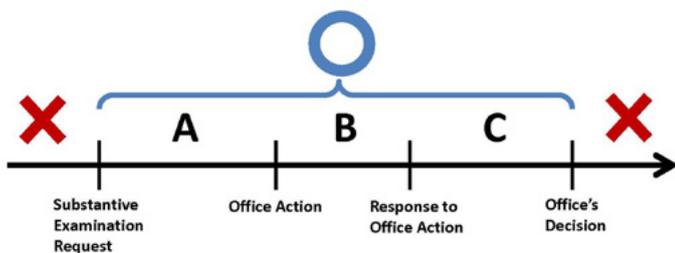
purpose, and issues wished to be discussed, along with associated copies of patent claims, specification, and drawings, supporting arguments and reasoning on the merits, as well as miscellaneous matters. Since July 1 of 2017, all requests for interviews shall no longer be made by merely a paragraph or the like added to the written brief or response submitted to the Office. TIPO will only admit and process a formal request made in the said separated and standardized form.

Along with launching of the new rules, TIPO released several inquiries and answers regarding the patent interview system collected from applicants and patentees during the trial term of the new rules before these rules became officially effective.

Many of the concerned were puzzled as to the exact step in the process when an applicant can request for an interview. TIPO replied that at any point of time of pendency, from the beginning of examination to the end of prosecution, a party can request an interview, pursuant to relevant provisions in the Patent Act. Nevertheless TIPO stressed that, to maximize an interview’s efficiency, the interview should be conducted when an Office action of non-allowability has been issued. The interview request can be made when the applicant’s response, including arguments and/or claim amendments, is ready to be submitted because that is when the patentability issues are filtered and identified.

In more detail, the following illustrates the matters

a potential applicant is ought to note in an interview held in respective phase of a patent application.



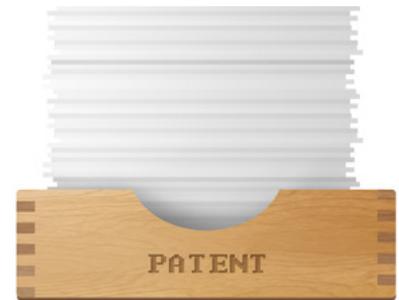
1. Phase A; during substantive examination but before the first OA: if for a substantive examination, the applicant may provide analysis of the technical concept(s) applied for patent; and if for a re-examination, however, the applicant should provide claim amendments and/or arguments against the grounds and citations of the rejection decision made after substantive examination.
2. Phase B; before submitting a response to Office action: the applicant may wish to enquire for examiner's opinion of patentability regarding a pending application.
3. Phase C; after submitting a response to Office Action: the applicant shall provide an oral explanation to the submitted response and arguments to examiner's raised grounds of non-allowability in an Office action. As previously noted, this is the stage when most examiners grant an interview to maximize the efficacy.
4. Beyond Phase A, B, and C: Interview is not available.

In TIPO's general practice, a first interview request will normally be granted; whereas a grant of interview for the second time and onward would largely depend on the presence of necessity. Furthermore, in the following situations an interview shall not be granted: 1) Inquiry into whether the application for patent will be allowed; 2) Raising no specific grounds of non-patentability, during an invalidation action; 3) Making a request based on causes obviously irrelevant to a case on the merits; and 4) The fact being sufficiently clear that another review is not necessary after the previous interview.

TIPO noted, during an interview, participating parties should not present new evidence or another amendment to application documents. However, for the best benefits of the participant/applicant, whether a piece of new evidence is exceptionally put into the interview agenda is dependent on if the information improves the interview proceeding and fact-finding for the case. Likewise, for a specific issue absent in the interview request form at first, TIPO's examiner holds the discretion including or not the new issue related to the substance of the case. An interview is generally expected to be one-hour long and yet may be extendable for another hour.

As for attendance to an interview, the following persons may be present:

1. TIPO's staff of responsibility.
2. Inventor, creator (utility model), or designer.
3. Applicant or its employee, or applicant's retained



patent attorney, patent agent, or the attorney-at-law.

4. Invalidation requesting party, patentee defending invalidation action, or their respectively retained patent attorney, patent agent, or the attorney-at-law.
5. With TIPO's permission, individuals possessing professional expertise in the field commissioned by the patent attorney, patent agent, or the attorney-at-law as in above case 4 or 5.

A foreign licensed attorney may attend an interview as an expert pursuant to case 5.

During an interview, conversation digests will be made into a separated and standardized summary sheet. Participants are required to sign on the sheet before leaving. For one's own record, a participant may make video or audio recording of the interview, upon a notice beforehand.

After the interview, TIPO will issue another Office action or a decision concluding the examination within a month or two, if additional supplementary evidence from applicant is not necessary. However, if submission of more supplementary evidence or amendments before TIPO's designated deadline is further demanded, TIPO's decision or Office action will only be made in a month or two after receiving and considering the same.



## Parallel Imports Not to Exhaust Rights If Trademark Ownerships Differ Domestically and Abroad

**Taiwan** IP Court recently ruled in a second instance judgement that, if the domestic trademark holder differs from a foreign trademark holder with respect to the same trademark device, the transaction of the foreign trademark holder is not considered a “sale for the first time” which exhausts the trademark right of the domestic right holder. The case was brought up by an import agent of genuine products purchased abroad and then shipped into Taiwan for sale. The foreign trademark at issue was registered and owned by a domestic company. The domestic right holder claimed trademark infringement against the importer who is seeking the right to sell the trademarked products in Taiwan. The trial court denied the claim and the importer appealed.

The appellant in appeal based its argument mainly on that its purchase of trademark-bearing product overseas, importation and sales of the same has exhausted the trademark right in the domestic market. As alleged, Trademark Act clearly stipulates in Article 36(II) the principle of exhaustion, which adopts the theory of international exhaustion:

“Where goods have been put on the market anywhere in the world under a registered trademark by the proprietor or with his consent, the proprietor is not entitled to claim trademark rights on such goods [...].”

That is, importation from a foreign country of mark-bearing products which are consented by right

holder or licensee does not infringe upon trademark rights, because when they are first sold or circulated in the market, the trademark holder was already compensated from the buyer’s payment. Although the trademark is later assigned to another entity, the payment-consideration status does not change concerning mark-bearing products which were put into the foreign market for the first time. The appellant alleged that if the trademark was not exhausted, the appellant’s trust and belief in the first sale doctrine, according the Article 36(II) of the Trademark Act, is not properly protected.

On the contrary, the trademark holder countered that the “consent” element in the cited Article was so interpreted so as to be one traced back to a holder entitled to Taiwanese trademark. Here, trademark rights of the same word mark and device mark belong to different entities in Taiwan and the foreign country respectively. The foreign trademark holder must even acquire the Taiwanese counterpart’s consent if it intends to import products bearing the same trademark or trademarks into Taiwan, let alone a third party purchasing the products at issue, which are not from the Taiwanese right holder. In short, the appellant’s importation and sales activities were not in compliance with the legal constituents of a parallel importation and trademark right exhaustion as defined in the Trademark Act.

The Court began by explaining the legislative background and policy of the principle of exhaustion, or the first sale doctrine. A trademark holder enjoys

## Parallel Imports Not to Exhaust Rights If Trademark Ownerships Differ Domestically and Abroad



exclusive right of a registered mark. However, considering the interest balance between the public and the mark holder, the law does not prescribe the mark holder an infinite opportunity of profiting. Ever since a trademarked product is made available on the market and exchanged for a consideration or compensation, the mark holder's commercial interest is realized. Therefore the mark holder shall not enforce its right for a second time by forbidding others from re-selling the very product.

Although a trademark holder cannot generate interest from the trademarked product for the second time, the Court noted that in this case the trademark holder were different entities domestically and abroad. The domestic right holder differs from the foreign one who sold the product for the first time. Although the Taiwanese trademark holder is a distributor of the foreign brand owner, parties consented on the ownership of trademarks in the respective jurisdiction. When the appellant bought the trademarked products directly from the brand owner overseas these products were sold online, not a fraction of sales revenue went to the Taiwanese distributor. With respect to the Taiwanese trademark holder, such overseas importation was not compensated for from the products at issue and was not a "first sale" by the Taiwanese right holder. Therefore, there is no transaction to exhaust the trademark right. In other words, the local trademark holder retains a valid enforceable entitlement against the appellant as an importer.

The territorial doctrine applies in trademark registration, the Court added. A trademark device may be owned by different holders in respective jurisdictions. In a circumstance where a local entity registered a mark, importation of products bearing the same mark has to be permitted by a local trademark holder before the products enter Taiwan. Likewise, the first sale activity conducted by a foreign trademark owner in another jurisdiction does not bind and exhaust the trademark right of a local holder.

To conclude, the Court opined that Article 36(II) of the Trademark Act only applies to the circumstances where the trademark right belongs to the same owner domestically and abroad when the first sale of the trademarked products is made. Here the local distributor as the Taiwanese trademark holder is different from foreign brand owner. The local distributor shall be entitled to legitimate and exclusive trademark right against unauthorized importation and sales. Appellant's claims were baseless and the appeal was overruled.

The appellant further appealed to the Supreme Court, the case has not yet been affirmed.

# Selected Chinese Trademark Administrative Review Cases in 2016

In China, when receiving a rejection decision over an application for trademark related matters from the Trademark Office (“Office”), or the trademark examination agency, the concerned applicant is eligible for an administrative review, which serves as an internal reexamination mechanism over the quality and legality of a decision made by the Office. The rejection decision is to be reviewed by the Trademark Review and Adjudication Board (“TRAB”), a re-examination authority being parallel with the Office under the umbrella of the State Administration for Industry and Commerce (“SAIC”).

In mid-June, SAIC announced selected cases for trademark administrative review of the year which were finalized within the past year. The following are some of those cases, for the attention of interested parties or prospective Chinese trademark owners, as well as international trademark practitioners.

## 01 Case review

### **Entitlement to Apply for Trademark Registration**

Xiamen Representative Office of Korea POSE Beauty Group filed applications for registering two “posekin” trademarks. As an evidentiary document supporting its eligibility of entitlement, the applicant submitted a “Registration Certificate of Resident Representative Offices of Foreign Enterprise.” The Office however rejected the application on a procedural ground that the application formalities were not complete. The applicant brought the rejection to the TRAB seeking administrative review.

There were two factors for the TRAB to investigate before deciding to admit the applicant’s eligibility for

filling a trademark application. Article 4 of the P.R.C. Trademark Law specifically requires that an eligible entity to apply for trademark registration is either a natural or legal person or otherwise an organization other than the two. In addition, an eligible entity is one which engages in production activities or business operations. (\*Article 4 prescribes: “Any natural person, legal person or other organization that needs to obtain the exclusive right to use a trademark for its goods or services during production and business operations shall apply for trademark registration with the Trademark Office.”)

Pursuant to related regulations<sup>1</sup>, a representative office is a foreign enterprise’s overseas agency established within the territory of China that functions in non-profit activities associated with the business of said enterprise. Thus, a representative office does not have the status of a legal person. Besides, as an eligible “organization” for the sole purpose applying for trademark registration, it has to be one which possesses certain structural institutions and properties but fails to be a legal person such as, according to the Supreme People’s Court’s interpretation, a licensed private partnership or solo-invested business, a licensed Chinese-foreign cooperative business or a foreign-invested enterprise, a licensed branch institute of a legal entity, etc. By nature, a representative office is not any one of those mentioned. Furthermore, related regulations provide that, without a valid and binding international treaty or covenant agreed to the otherwise, a foreign enterprise’s representative office within China can only function in matters of market survey, public display, promotional events, liaison activity etc.,



rather than any activities of production or business operation.

In conclusion, a representative office of a foreign enterprise is not a legal person or organization recognized under the Trademark Law, nor shall it engage in any production activities or business operations under related regulations, the TRAB affirms Office's rejection decision and ruled that the applicant is not eligible for filing a trademark application.

### 02 Case review

#### ***Standing to Initiate Administrative Review***

Qingdao Changcheng Electric Power Engineering Mating Company Ltd. ("invalidating party") as the current assignee on record owns registered word mark CHANGCHENG in an associated logo (No.280192; the "invalidating mark") which was transferred from numerous past owners. The mark's registration is traceable back to 1986 and ever since the brand Changcheng, literally means "the Great Wall," has enjoyed reputation among the relevant domestic consumers who recognize the trademark Changcheng and its represented electric cable and related power utility products for years.

Qingdao Changcheng Julong Cable company ("Applicant") registered in 2012 a stylized trademark having combination of words and its English abbreviation (No. 9558863; the "invalidated mark") for electric cable, wires, magnetic cable, insulation copper wire, etc. Alleging similarity of the two registered marks, the invalidating party filed for an invalidation action at the TRAB seeking to cancel the

invalidated mark. Having successfully convinced the TRAB, the registration of the invalidated mark was therefore cancelled.

As a counter measure, the Applicant strategically sought to challenge the invalidating party's eligibility to initiate the action. The Applicant petitioned for an administrative review with the SAIC in hope of revoking the Office's approval decision made in 2006 on assignment of the invalidating mark to the invalidating party. Nevertheless, a demonstration of a legitimate interest at stake regarding an Office's decision is a prerequisite to have a standing initiating the review. The Applicant contended mainly that it has such interest because the decision, allegedly made out of defective supporting documents, eventually barred the invalidated mark from registration.

The TRAB dismissed the Applicant's petition on the grounds that it was not an interested party to the decision on the assignment.

Firstly, by having an "interest," it means that an eligible petitioner shall be one who is directly, rather than merely collaterally, harmed by a specific administrative decision. The Office's decision in 2006 was by nature a constructive notice of a bilateral agreement made under the civil law, which is irrelevant to the Applicant. The decision did not generate any direct connection to the rights of the invalidated mark.

Secondly, any actionable interest at stake may only occur between the specific administrative decision

and the trademark at issue. If any registrants of later trademark registrations that are similar to the trademark at issue can be deemed as an interested party, the scope of interested parties may become frivolously indefinite. The authoritativeness and stability of the said specific administrative decision will thus be materially compromised. Viewing the present case, if leniently recognizing the Applicant's eligibility as a party of interest at stake, it is no less than suggesting the possibility of many unpredictable petitions for administrative review is however permissible. The administrative decision on assignment made 10 years ago is thus subject to a dangerously unstable state owing to such a random petition.

Lastly, whether there is an actionable interest shall be determined at the time when the specific administrative decision was made. It is at stake if the petitioner's legitimate right, either existing or to be foreseen, is harmed due to the specific administrative decision. Again in the present case, the assignment of the invalidating mark and its associated administrative decision had both taken place in 2006, many years earlier than the registration and cancellation of the invalidated mark. At the very moment the decision upon assignment was made, the Applicant's alleged legitimate right over the invalidated mark was neither existing nor foreseeable. Hence, the Applicant has no interest regarding the Office's decision on prior trademark assignment.

As a result concluding the foregoing analysis, after showing no interests at stake, the Applicant failed to have a standing initiating an administrative review.

The Applicant appealed the TRAB's dismissal to the Beijing IP Court, which concurred with the TRAB's finding and affirmed the dismissal.



Reg. No. 280192; invalidating mark



Reg. No. 9558863; Invalidated mark

### 03 Case review

#### ***Evidence Submission during Opposition Period Should be Admitted***

An interested party may file for an opposition against a preliminarily approved trademark within a three-month publication timeframe before its registration, prescribed in §33 of Trademark Law. The Office published in official gazette a word mark of registration No. 16140960 whose statutory timeframe open for opposition was from December 14, 2015, to March 13, 2016. In January 2016, an alleged prior user of the work mark ("Petitioner") challenged by opposing the registration, and had



some required forms and documents submitted. After examining the formality, however, the Office deemed that the submission was insufficient to prove the Petitioner's eligibility to oppose and thus dismissed the opposition petition on the grounds of formality non-compliance. The dismissal was made before the closing day of opposition. .

On March 10, 2016, three days before the close of the opposition timeframe, the Petitioner supplemented more supporting evidence including brand briefings, packages, copies of receipts, pamphlets, website snapshots, media coverage, and awards and recognition, all for products which were sold bearing the same word marks. However, the Office did not consider the supplementary evidence.

The Petitioner requested administrative review by TRAB as an effort to revoke the Office's dismissal decision. The Petitioner argued that the Office's dismissal was procedurally illegal by failing to admit all evidence submitted within the three-month timeframe, which substantively injured the Petitioner's interests and rights.

The TRAB reviewed the case and eventually revoked the Office's decision, in favor of the Petitioner. The TRAB found that, to facilitate the efficiency of a pending opposition proceeding, often times the Office examines a case and then renders a decision based only on the materials and evidence submitted first-time along with the petition per se. Subsequent to issuing a dismissal decision, whether the later supplemented evidence submitted within the opposition period is admissible to the Office depends

on whether or not the evidence would serve any material weight to the examination conclusion, as the TRAB further reasoned. Hence, in cases where during preliminary examination the supplementary evidence is found beneficial to completing the procedural requirements of an opposition action, it should be admitted and considered. On the contrary, if the supplementary evidence submitted after the dismissal of the case is still deemed failing to complete formality requirement, the dismissal decision previously made remains in force because the opposing party is not injured substantively even when procedural defects do exist.

The TRAB therefore concluded that, by submitting evidence able to complete procedural requirements, regardless coming along with the petition itself or later being supplementary, the Office shall admit and consider the same so long as the submission is within the three-month statutory timeframe. In the present case the Office should render its acceptance or dismissal decision after the end of opposition period so as to sufficiently safeguard the Petitioner's procedural interests and substantive rights.

唐娃娃

Reg. No. 16140960

## Parallel Filing Strategy for China and Taiwan

An applicant interested in acquiring an invention patent protection over its valuable R&D result may worry that its invention has been laid open but has not yet been entitled to an enforceable IP right because of the time-consuming substantive examination. If temporal protection may be available for the applicant's invention in the form of a utility model, which is generally granted in a few months after formality examination, it would optimize the patent protection mechanism by filling up said protection-free gap. Such a demand has led to the formation of "parallel filing."

### *As Two National Filings*

Taking a "parallel filing" route to file both an invention patent and a utility model application direction to a common inventive idea is permissible in either China or Taiwan. The procedural and substantive pre-requisites as well as the consequences at law are largely the same. To take advantage of parallel filing, both invention patent and utility model applications have to be filed by the same applicant(s), on the same date, directing to the same inventive idea, and with a declaration made on each respectively. In this way, the earlier-granted utility model may be continuously valid. In more detail each of the five prerequisites are set forth as follows:

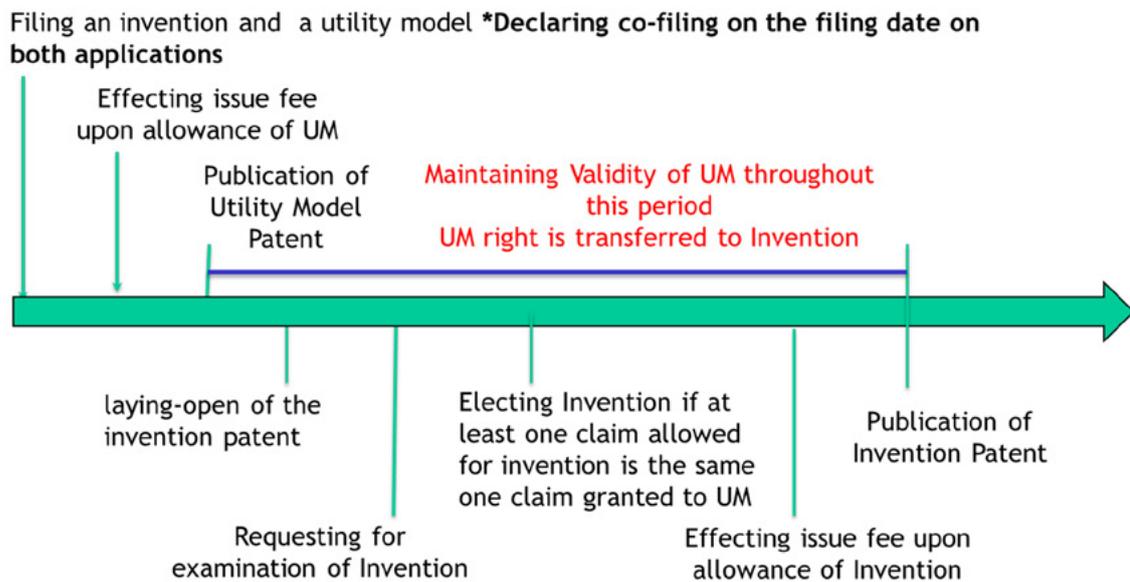
1. Same applicant(s): the ownership for two applications remains identical upon the time of filing, election (selecting either the effective utility model or granted invention patent), allowance of invention, grant and publication of invention.
2. Same date:
  - A.CN: the same actual filing date; or
  - B.TW: the same actual filing date or the priority date, if any.
3. Same inventive idea: at least one claim is the same.
4. A declaration: made respectively on the utility model and invention patent application noting the co-filing of the other.
5. Continuously valid: the earlier granted utility model is not extinguished or invalidated before allowance of the invention patent.

By satisfying the above prerequisites, upon the allowance of an invention patent application the applicant will be required either to elect invention patent application or to keep with the already granted and effective utility model (Note: parallel filing is not an exception to double patenting). Upon electing the invention patent, which enjoys a longer term of protection, the utility model shall be terminated upon the grant of invention, and, most significantly, the effectiveness of patent right will be seamlessly transferred, or relayed, from the utility model to the invention patent.

For the absence of a declaration on both or either one of the two applications upon filing, parallel filing route is not eligible. Assuming a utility model granted earlier, the invention application having at least one claim substantively identical will not be allowed eventually. In another situation where claim identity is found during pendency of both applications before the grant of either one, the applicant is obliged to elect. Failure to elect leads to rejection of both applications.

Note the applicant has a last resort to keep both cases, if desired. By amending the pending claims so that the two claim sets become substantively different, the applicant will be able to have both valid utility model and invention patent.

A time line visualizing parallel filing procedural is illustrated as follows.



### **Notable Matters for PCT Entering China National Phase Scenario**

P.R. China is a contracting party to the PCT. An applicant can enter a PCT, or international application in the China national phase for obtaining a Chinese patent. However, a PCT application is not eligible for the parallel filing strategy.

As explained, to enjoy the benefit of “relaying” two patent rights, the two applications have to be filed on the same “actual filing date” at SIPO, regardless of their priority dates being the same. Presumably an applicant would only file a PCT application first in considering a larger plan for global filing. Later the applicant may file another national application in China and in the meantime considering using the parallel filing route. The PCT and Chinese national applications could not possibly enjoy the same filing date. Furthermore, the applicant is de facto unable to state a parallel Chinese national application at the time of PCT filing. The aforementioned “declaration” prerequisite has not been satisfied.



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