

TIPS[®]

July 2021

Taiwan Intellectual Property Special

www.tsailee.com | info@tsailee.com.tw



Global Vision Taiwan and China IP Experts

- page/02 Best Seller of Vitamin B Halts Trademark "Free-Riding"
- page/04 First Unfair Competition Judgment on Smartphone Lock Screen Hijack, by an Internet Court
- page/08 Draft of Taiwan Copyright Act 2021
- page/ 11 Avoid Divisional Applications being Identified as Bad Faith Filings in China
- page/ 13 Interior Designs of Hotel Rooms Become Target of Copyright and Competition Issues
- page/ 17 CNIPA Promulgates Interim Measures for Implementation of the Amended Patent Law during the Transitional Period
- page/ 19 Customs Releases Draft Amendment to Border Measures to Solicit Public Opinion



Best Seller of Vitamin B Halts Trademark “Free-Riding”

The Japanese company Takeda Pharmaceuticals (“Takeda”) owned a series of registered trademarks, including “合利他命,” “アリナミン” and “ALINAMIN”, which were used on a popular vitamin B complex product. The mark “合利他命” was “ALINAMIN” in four Chinese characters and was pronounced “HeLiTaMin” (hereinafter referred to as the “opposing trademark”).

Takeda discovered sometime in 2019 that a biotech company had registered the following seven word marks (hereinafter referred to as “trademarks in dispute”) under Class 5 of the Nice Classification for dietetic food and substances adapted for medical use: “合利佳好”; “合利眠好”; “合利敏好”; “合利谷好”; “合利晴好”; “合利通好”; and “合利強勇”. These trademarks in dispute were all composed of four (4) Chinese characters, with the first two (2) characters of each trademark (“合利”) being identical to the first two characters of the opposing trademark. Takeda were concerned that consumers would confuse the products to have all originated from the same source company since the trademarks in dispute were to be used on food supplements with identical or similar ingredients. Furthermore, Takeda suspected that the competitor’s registration of the trademarks in dispute was, out of bad faith, a means of “free-riding” on Takeda’s business goodwill in light of the “合利他命” and “ALINAMIN” trademarks. In response to the above situation, Takeda filed multiple oppositions with TIPO requesting that the registrations of the trademarks in dispute be cancelled.¹

The adversary responded in brief, emphasizing that their products were not vitamin supplements; rather, they were intended to facilitate the burning of calories in order to prevent obesity. They were never meant to give rise any confusion to the consumers.

TIPO started its analysis by determining whether the opposing trademark “合利他命” had been well-known prior to the filing dates of the trademarks in dispute. As shown in evidence, Takeda established its Taiwanese subsidiary in 1962 and started to register a series of trademarks as early as 1957. Takeda had been continuously commercializing and advertising “合利他命” vitamin B products for over six decades, gaining a stable market share of consumers and establishing an extensive sales network. Enjoying widespread popularity, the product of the opposing trademark was available as an over-the-counter (OTC) dietary supplement in almost all pharmacy chain stores. With an average revenue of TWD 236 million, the opposing trademark was ranked as the 2nd best-known vitamin B supplement in the Taiwanese market. Accordingly TIPO recognized the opposing trademark “合利他命” as a well-known trademark in the field of pharmaceuticals and nutrition supplements.

TIPO also examined the degree of similarity between Takeda’s opposing trademark and the adversary’s trademarks in dispute. “合利他命” had 4 characters and was pronounced “HeLiTaMin”; all of the marks in dispute shared the same first two

¹ Trademark Act, Articles 30(1)(10) and 30(1)(11)

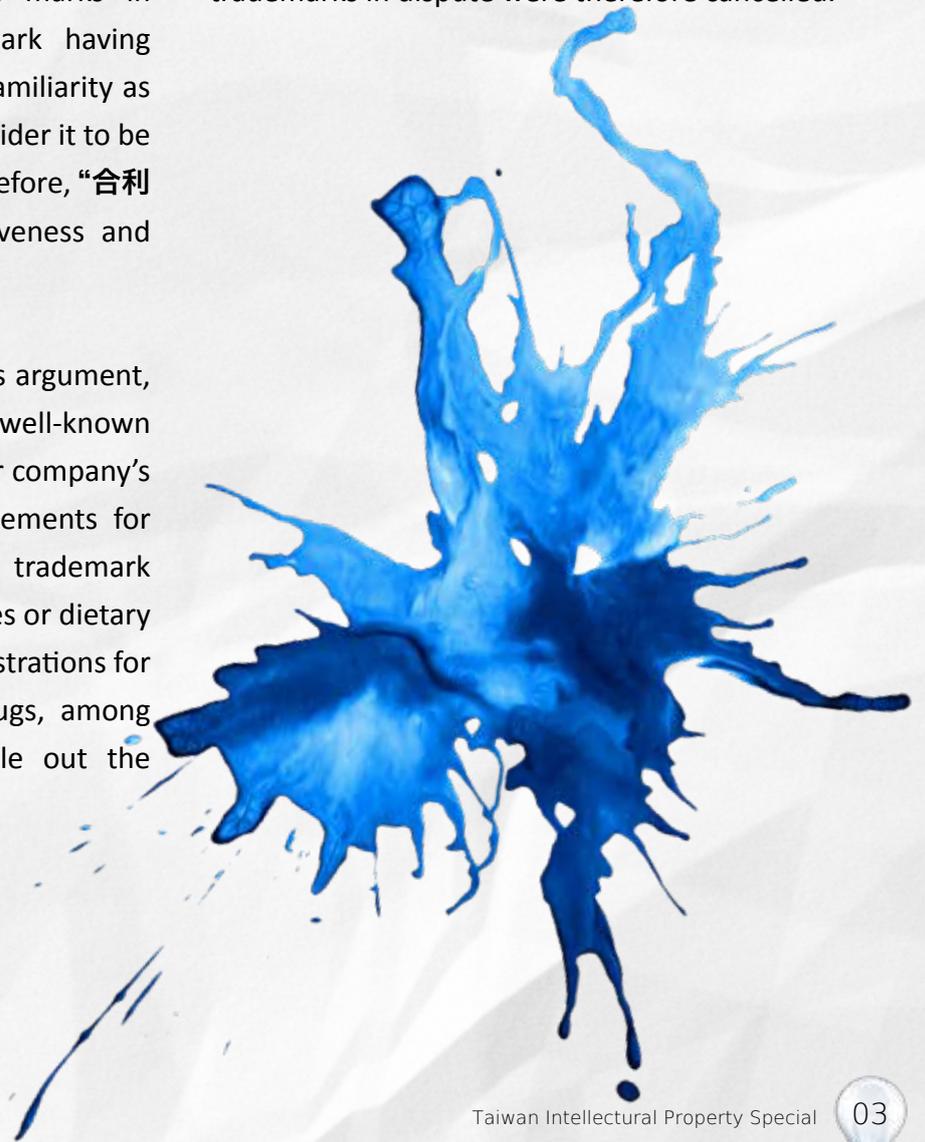
characters “合利” and are pronounced as “HeLi.” The identical two (2) Chinese characters were aligned in the same arrangement in all of the marks in question. TIPO confirmed that they were similar to the opposing trademark and that the degree of similarity was significant.

TIPO further extended its analysis to include the trademark’s level of distinctiveness. “合利他命” was a Mandarin transliteration of the Japanese “アリナミン” ; It did not have any particular meaning in and of itself, and had no connection to medicines or dietary supplements. In TIPO’s trademark registration database, the only valid marks beginning with “合利” and followed by two other Chinese characters were Takeda’s opposing trademark and the marks in dispute. With the “合利他命” trademark having gained a high degree of popularity and familiarity as previously mentioned, people would consider it to be a specific indicator of product origin. Therefore, “合利他命” enjoyed a high level of distinctiveness and should be given greater protection.

Finally, in response to the adversary’s argument, TIPO explained why it was that Takeda’s well-known trademark for vitamins can cause another company’s trademark registration on dietary supplements for obesity to be invalidated. Takeda’s trademark registrations were not limited to medicines or dietary supplements; it had, in fact, acquired registrations for coffee, chocolate, juice, and animal drugs, among other products. TIPO thus did not rule out the

possibility that Takeda would further diversify its range of business. Nutrition food for weight loss may certainly be one of the company’s future new products.

To summarize, “合利他命” (ALINAMIN in Chinese characters) and the adversary’s marks in dispute were deemed very similar. “合利他命” was well-known and enjoyed a high level of distinctiveness. It remained highly possible that the range of new products bearing the opposing mark will diversify in the future. TIPO concluded that there would be a continuing likelihood of confusion, were the trademarks in dispute allowed to co-exist with the opposing marks. Oppositions were accepted and the seven trademarks in dispute were therefore cancelled.



First Unfair Competition Judgment on Smartphone Lock Screen Hijack, by an Internet Court

Guangdong Oppo Mobile Telecommunications (“Oppo”) is a renowned Chinese smartphone maker founded in 2004 in Dongguan City, Guangdong Province, PR China. It enjoys nearly one-fifth of the market share in China and accounts for 8-9% of the global sales for smartphones.¹ Oppo developed an android-based mobile operating system named ColorOS that runs in its product series. Oppo also holds and controls an internet services platform called HeyTap, which offers smartphone users the ability to download and install applications. HiCall (tentatively so-named in this article as no official English translation found), or phonetically HiLaiDian (嗨來電), was an application which featured a variety of customized ringtones, videos and screen effects which would appear upon the user being called by a unique caller.

Oppo found that HiCall overrode its ColorOS by forcibly popping up notifications or advertisements when a phone was in lock-screen mode, before or after closing the HiCall app. Oppo and HeyTap jointly sued HiCall on several anti-competitive grounds for this hijack practice, before the Hangzhou Internet Court.

In the plaintiffs’ complaint, the defendant’s application (“app”) HiCall used technical means to maliciously produce false notifications and advertisements before and/or after the Oppo phone user locked the phone screen, and even allowed pop-up advertisements when the user quit the HiCall app. Furthermore, HiCall imitated Oppo's built-in lock-screen functions by enabling 'swipe right to unlock' and by disabling lock screen. Users were very likely to confuse these functions with those that were offered by Oppo or mistakenly believe that these advertisements and notifications were created by Oppo. The plaintiffs alleged that HiCall undermined Oppo and HeyTap's long-established goodwill regarding user experience as well as their business reputation by seriously harming the ability of Oppo users to use Oppo products to their satisfaction through its actions. Oppo and HeyTap collectively claimed damages amounting to CNY 4.9 million and requested a number of injunctions that aimed to discontinue HiCall's accused functions.



Personalized themed screens woken by different incoming calls - part of HiCall's featured functions (not accused) ² ³

In its defense, HiCall countered Oppo and HeyTap’s claims by asserting that Oppo and HeyTap lacked standing to file a joint action because their

¹ <https://www.counterpointresearch.com/global-smartphone-share/>

² Source: https://thumb802.jfcdns.com/thumb/n131431j23v34/16f5fe33d48210ca_600_0.jpeg

³ Source: https://thumb804.jfcdns.com/thumb/n131531x23j34/16f5fe33d450cb2c_600_0.jpeg

scopes of business neither relate nor depend on each other. In HiCall's explanation, there is no connection between a "hardware terminal, operating system, and a value-added service." Immediately after the sale of a smartphone, be that smartphone from Oppo, the ownership and control of that phone has been transferred to the user, thereby giving the user the ultimate authority to download or uninstall any applications as the user wish, HiCall emphasized. HiCall's personalized information push services were not an illegitimate technical means to interfere or undermine plaintiffs' regular operation of the products or services as described in the complaint. Thus, no infringement could be established.

The legal basis of the case is rooted in the Anti-Unfair Competition Law of the PRC ("AUCL"), which contains provisions governing commercially competitive activities that require the use of the internet. A catch-all provision in the AUCL specifically requires any business director not engage in activities that otherwise interfere with or undermine another business director's regular operations of the lawfully released online products or services.⁴

After a review of the evidence, testimony from expert witness, and issue sorting, the court analyzed the facts of the case, focusing on three main questions.

- 1 Were the accused activities constituted as a use of technical means to interfere with the regular operations of another competitor's online products or services?

The statutory definition of "technical means" in the AUCL should be neutrally interpreted to include both lawful and unlawful means. For its pop-up up ads, the HiCall application employed means to detect the status of a phone in its different running phases. The detection of smartphone status and the corresponding pop-ups should be considered technical means.

The accused activities mainly involved five functions: lock screen, desktop, task manager, incoming call, and Wi-Fi. Any smartphone that has installed will be bombarded with pop-up ads covering the entire screen or part of the screen before a user can access the aforementioned five functions. In other words, not only did HiCall hijack the interfaces of the aforementioned five functions, but it inserted additional steps in the operation process. It elevated the complexity of usability while simultaneously depreciating user experience. Smartphone consumers highly value the entire interactive experience that factors in aspects such as usability, stability, noninterference and aesthetic enjoyment, in all kinds of service interfaces. This being the case, what Oppo and HeyTap offered in conjunction with each other became an inseparable and integrated service.

In view of the above facts, the court found HiCall to have meddled in the regular operations of Oppo and HeyTap's products or services.

⁴ Anti-Unfair Competition Law of the PRC, §12(2)(4)

2 Were the plaintiff's legal interests injured due to the activities of the accused?

The lawful interests protectable under the AUCL must be subject to the collective interests “of the public (market order in competition), of the operating businesses, and of the consumers.” The three parties’ interests must be weighted comprehensively in order to maximize the potential market benefits.

HiCall interfered with Oppo and HeyTap’s regular services and misled smartphone users to erroneously perceive that the functions enabled by HiCall were offered by Oppo and/or HeyTap. The effect was that users responded by leaving the plaintiffs negative reviews, thus harming Oppo and HeyTap’s brand value. Eventually it led to disengagement or even the loss of consumers, thereby harming the plaintiffs’ competitive advantage. Thus, HiCall’s activities undermined both the market benefits and the plaintiffs’ interests.

3 Were the accused acts illegitimate, namely violating business norms and the standards of ethical conducts in the internet industry?

In the Court’s finding, the HiCall’s activities were aimed at gaining commercial benefits via the employment of technical means to meddle with the regular operation of a smartphone, which led to the compromise of the plaintiffs’ lawful interests. HiCall’s activities were therefore illegitimate.

The ethical conduct and norms in the industry of marketing over the internet are extractable from various statutory laws.⁵ As read, “the release and sending of advertisements via the internet shall not impact users from their normal use of network services.” Additionally, yet with different levels of restrictions, other peer application platforms ban malicious pop-up ads as well.⁶ These regulations and practices form a widely accepted consensus forbidding pop-up ads that undermine user experience. HiCall therefore had no reasonable grounds to disregard business and ethical standards.

The Court held that HiCall’s forcible pop-up advertisements were anti-competitive activities under the AUCL. HiCall was ruled to cease and desist from forcing the pop-up ads.

Damages were calculated by the plaintiff’s loss of profits or the defendant’s gain of profits, with a possible punitive compensation as high as quintuple (5X) of the calculated amount in serious circumstances where activities were committed in bad faith. Moreover, if the damage amount is yet difficult to find given the presented evidence, the court may exercise discretion to order an amount no more than CNY 5,000,000 be paid according to the damage done to the plaintiff.

The Court did not find presented evidence firmly credible enough to accurately determine either Oppo’s loss or HiCall’s gain. Eventually, in consideration of available factors, the Court ordered

⁵ Advertising Law of the People's Republic of China, §44; Interim Measures for the Administration of Internet Advertising, §8

⁶ Xiaomi, Vivo, Google, etc.

HiCall to pay Oppo and HeyTap a total amount of CNY 3,000,000, which includes the economic compensation and the costs of their lawsuit.

Internet Court in Brief

In September 2019, the Supreme People's Court decided to establish specialized judicial forums having jurisdiction over the first instance cases involving the internet within the geographical scope of the city where the Court is located.⁷ Currently, China has three Internet Courts, located in Beijing, Guangzhou, and Hangzhou.

In detail, jurisdiction of these courts covers contractual disputes pertaining to online shopping, internet services, or online financing; disputes in copyright ownership or infringement for a work published first time online; disputes in ownership, infringement, or contract for domain names; disputes in infringements on personal or property rights on the internet; product liability disputes from online shopping; public interest litigation case brought by the criminal prosecution; administrative disputes due to internet regulatory affairs; other internet-related cases designated by a superior court.

Authentication of evidence is particularly important in the court proceedings, especially when the documents exchanged between the court office and the confronting parties are digitalized. Electronic signatures, trusted timestamping, Hash-based verification, and block chain may enhance credibility.

The most distinctive feature of an Internet Court is the live streaming of hearings. While the Court Rules of the People's Courts remains applicable, failure to attend an online hearing or exit an ongoing hearing may result in absentment or adjournment respectively, except in instances caused by technical malfunctions. An example of a trial hearing in the Hangzhou Internet Court is shown below.⁸



Upper Right: District Attorneys (Prosecutors)

Lower Right: Judges

Lower Left: Defendant's Attorney

⁷ Provisions of the Supreme People's Court on Several Issues Concerning the Trial of Cases by Internet Courts

⁸ <http://zj.sifayun.com/play/vod?id=11054034&courtId=8523>



Draft of Taiwan Copyright Act 2021

The development of digital transformation and the use of information and communication technology are progressing rapidly. The Copyright Act has become increasingly less likely to effectively address the legal conflicts arising from the various newly emerging technical applications. On April 8, 2021, the Executive Yuan, aided by research contributions from the Ministry of Economic Affairs and Taiwan IP Office, passed a draft to overhaul the Copyright Act. It is currently pending enactment by the Legislative Yuan. The key considerations of this draft are explained below.

Redefining public transmission and public broadcasting

With the extreme convenience of Internet services and the increase in bandwidth limits, the streaming of audiovisual content has become widely available. For end consumers, the issue of differentiating broadcasting from public transmission in respect of which channel or platform they receive content from is a complicated one. For example, a radio show is played both via the radio frequency and on a

company webpage. In this instance, some people only consider public broadcasting rights to be involved; in actual fact, both broadcasting and transmission rights come into play, because stereotypically, communication via a network is believed to be a practice of transmission.

In order to emphasize the essential nature of disseminating “linear” or real-time content, public broadcasting will be redefined as the communication of content via wired or wireless systems or other similar means to people who “simultaneously” receive said content. For example, a talk show webcast played online will be considered a form of public broadcasting, rather than public transmission as it is now. Furthermore, the content of public broadcasting will include not only audio or video but also any digitized materials, such as text or computer programs. (§3(1)(6))

Public transmission, however, will be based around the concept of “making content available to the public.” In other words, either wired or wireless, public transmission involves enabling the people to receive content at a time and place of their own

choices. To make it easier to understand, public transmission particularly relates to non-linear media, with an emphasis on the interactive functions of playback, replay, and playing content at a given time and place. (§3(1)(9))

Creating the right of public recommunication

It is a very common occurrence for the chef of a typical Taiwanese street food stand to play a list of downloaded music by a stereo set, purportedly for personal pleasure. To give another scenario, people are enjoying trying on outfits in a fashion shop with YouTube Music™ playing. On a case-by-case basis, owners of such businesses may successfully defend themselves by arguing that the mere act of playing music in the background does not constitute a use of copyrighted work.

The draft introduces the concept of public recommunication. The copyright owner has the right to re-communicate publicly broadcasted or transmitted content to other people, simultaneously or not, via screens, speakers, or other kinds of device. As a result, playing music in a business venue constitutes a commercial use of copyrighted work that requires prior permission to avoid infringement. (§3(1)(10))

Increasing fair use and royalty exemption

The current scope of fair use is insufficient to meet the needs of the digital era. The draft law will relax some barriers to the use of copyrighted works and will broadly expand the scope of fair use.

In order to improve the quality of onsite teaching, all levels of legally established schools and their teachers may, where necessary for the purpose of teaching in schools, reproduce, adapt, distribute, publicly perform, publicly present, and publicly recommunicate a published work. Furthermore, use of copyrighted work by public broadcasting, transmission, and recommunication is allowed for registered students. (§46)

To encourage remote education, all levels of legally established schools, facilities and their teachers may, where necessary, publicly broadcast, publicly transmit, and publicly recommunicate a published work for non-profit and educational purposes. However, unless these activities serve students who are registered and enrolled in courses, these establishments will not be exempt from the obligation to pay a reasonable royalty fee. (§46-1)

For the purpose of guiding people to find a specific work in a collection in non-profit governmental institutions, the repositories may reproduce or transmit the miniatures, abstracts, fragments, or other similar guiding extracts of that work. (§48-2)

Plaza dancing is a popular pastime enjoyed by many in cities and rural areas. People dance in unison to songs and music played from a personal stereo set in cities' squares, parks, community centers, or any convenient open spaces. With the ever-increasing popularity of this kind of recreational fitness activity, it is often arguable whether a person playing music in an open area without paying royalties or gaining prior consent from copyright owners should not be criminally liable. To address this dilemma, the draft statutorily exempts the following two types of events from the payment

of royalty: (1) a non-regular activity; and (2) an activity of social relief, public safety, public health, or personal mental and physical wellbeing, which requires the use of private equipment and is carried out in streets, parks, open spaces of buildings, or other outdoor places open to the general public. (§55) The royalty exemption is limited to a revenue-free public presentation or public performances of copyrighted works.

Compulsory license of orphan works

It is difficult or almost impossible to locate the owners of some specific works. Requiring a mutually agreed authorization from the owner before the use of them would undesirably hamper the circulation and dissemination of culture. The draft incorporates the orphan work's compulsory licensing regulation—from the Development of the Cultural and Creative Industries Act—into the Copyright Act, to expand the scope of the application of the law to the general public. More notably, all types of orphan works can be granted a license. An applicant may, upon payment of a deposit, use an orphan work in advance of being granted a license by the TIPO. (§69-1)

Reducing the criminal penalty for CD copying

According to the current laws in force, making just one fake CD is a criminal offence punishable by at least six (6) months in prison. Although the Supreme Court Justices ruled in their Interpretation No. 804

that the severity of the prison sentence was constitutional, the Justices nevertheless urged the legislative branch from time to time to review whether such heavy penalties for a petty crime of reproducing a copyrighted work are consistent with current social status. TIPO has noted that the balance of proportionality between a misdemeanor and the corresponding penalty has tilted. Thus, the draft will remove the minimal sentence of six month. In cases of unauthorized reproduction of a copyrighted work, sentencing will be at a judge's discretion. (§91 and §91-1)

Infringement and damages calculation

For early prevention of counterfeits, posting advertisements for the sale of counterfeit products will be deemed an act of infringement, for example, creating a page to sell flash drives with pre-stored unauthorized music, or including counterfeit games as a free gift with the purchase of a games console. (§87) Lastly, in addition to using the copyright owner's loss and infringer's gain as the basis for calculating damages, the plaintiff will have the additional option of a reasonable royalty as an alternative basis when it is difficult to retrieve evidence of the infringer's ledgers and books. (§88)

Avoid Divisional Applications being Identified as Bad Faith Filings in China

China has been tirelessly investing effort in the enhancement of patent quality and examination performance to ensure the core legislative purpose of the Patent Law for encouraging innovative development is closely observed. In order to strengthen the indicator of technical innovation, China has re-emphasized the importance of both quantity and quality in the technology embodied in the patents. Unfortunately, reportedly irregular filings of patent applications—breaches of the duty of good faith—have occurred; such irregular filings were explainable in part by the availability of economic incentives in the form of local authority subsidies for patent filings, although all forms of subsidies for patent prosecution are ordered to be canceled by the end of June 2021.

CNIPA categorized the irregular filings into a non-exhaustive list of nine types of activity as per the “Measures on Regulation of Filing Patent Applications (关于规范申请专利行为的办法)” published in March 2021. The first type of activity comprises “multiple applications filed simultaneously or successively that are obviously the same invention-creation, or are essentially formed by simple combinations of different invention-creation features or elements”. The ninth and last type is a catch-all clause to encompass any other abnormal patent filings and related activities either in breach of the principle of good faith or in defiance of regular patenting practices. These bad faith activities were further clarified in April in a CNIPA’s official document titled “Interpretation of the Measures on Regulation of Filing Patent Applications (关于规范申请专利行为的办法解读).”

The intention to curb bad faith filings is commendable. Nevertheless Tsai, Lee & Chen happened to encounter some instances of supposedly regular cases being spotted by the examiner as having been filed abnormally.

At the stage of patent prosecution before the CNIPA, the applicant can voluntarily file for divisional applications, if not during pendency, then within lawful timeframes of two (2) months after grant or three (3) months after rejection in the latest. In a previous case handled by Tsai, Lee & Chen, a utility model was granted and then the applicant voluntarily filed one further divisional application within the lawful timeframes. However, in accordance with the provisions of Article 42.1 of the Implementing Regulations of the Patent Law, the examiner issued a Notice to Deem Divisional Application Not Filed, meaning that the divisional application was refused. The applicant then sought remedy through an administrative appeal but regrettably failed to overturn the decision of refusal. In the appellate decision, CNIPA specified that the divisional filing was refused on the basis of bad faith. This case occurred in 2019, suggesting that CNIPA had been de facto operating campaigns against bad faith filings for quite a while, even before the aforementioned Measures were officially released.

Utility models in China are not substantively examined. Inevitably, they are likely to be employed to abnormally accumulate a number of patent applications in a relatively short period of time. Hence, CNIPA and examiners have remained vigilant over sudden surges in utility model filings. As seen in



the aforementioned past case, the risk of refusal remains even if the divisional application(s) for utility model(s) was/were filed within the lawfully prescribed timeframe. On the other hand, an invention patent application requires a substantive examination process, usually taking more than 12 months for the patent to be granted. An invention patent application is relatively less likely to be red-flagged as a result of filing a couple several divisional applications within the lawful timeframes.

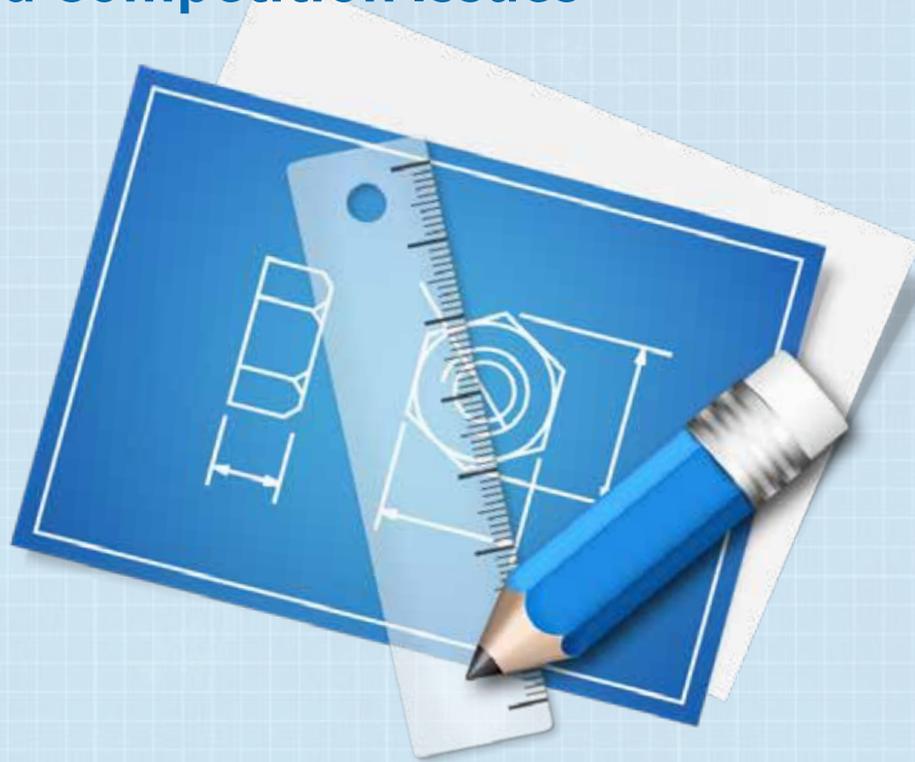
On a separate note, divisional applications will only be considered bad faith activities when they are filed voluntarily. In the event of the examiner rejecting a parent application on the ground of lack of unity, the applicant's filing of a divisional application as a defensive response would not be considered in any way malicious. Hence, embedding non-unitary elements, or more precisely, multiple subjects, in a parent application or in a lawfully-filed divisional application at the time of filing is a strategic means to trigger future divisional applications.

Looking to the future, it is foreseeable that China's efforts to improve the overall quality of patents will not be reduced, but will only increase. In order for applicants to avoid having their applications being wrongfully considered as bad faith filings and incurring unnecessary additional costs in further appeals, Tsai, Lee & Chen has the following advice:

- 1 For a case that has higher priority, it is recommended to opt for an **invention** patent rather than a utility model.
 - 1) Even during the prosecution of an invention patent application, avoid effectuating too many divisional applications at once or in a short space of time. It is strongly recommended to file two (2) more divisionals at maximum.
 - 2) Try to include all sets of claims in one application and then await the involuntarily filing of divisional applications in response to examiner's rejection of non-unity.
- 2 When a utility model is strongly preferred over an invention patent,
 - 1) Try to include all sets of claims in the utility model application and only respond to divide upon the examiner's rejection.
 - 2) Filing divisional(s) for a utility model even within the lawful timeframes is **NOT** recommended, in order to avoid the potential risk of receiving a Notice to Deem Divisional Application Not Filed.

Interior Designs of Hotel Rooms Become Target of Copyright and Competition Issues

The high-end hotel group of Italian origin, LDC Hotels & Resorts (“LDC”), owns several chains in Taiwan including the famous Palais de Chine in the center of the bustling metropolis of Taipei city, and Fleur de Chine situated adjacent to the vast, calm, and romantic Sun Moon Lake. LDC hired a remodeling contractor, October Interior Renovation (“October”), to design its hotel rooms, in which the all-inclusive agreement entailed site planning, space planning, layout improvement, furniture style, sizing and positioning, as well as traffic flow, lighting, etc.



Queena Plaza, another resort group, operated a hotel in Taitung at the southeast coast of Taiwan which was later acquired by the Sheraton group as a franchise and re-branded as Sheraton Taitung Hotel (“Sheraton-Taitung”) in 2016. LDC found out that the later-finished guest rooms of Sheraton-Taitung utilized an overall interior design that was very similar to LDC’s. Suspecting copying of architectural concepts, LDC reached out to October to acquire an exclusive license of the copyright for the interior design of guest rooms, and then filed an action against Queena Plaza based on copyright and unfair competition claims. As agreed upon by the two parties, an expert witness submitted a report of assessment presenting the probative similarities between the designs in the guest rooms of the respective two hotels in the dispute, as shown below in Table 1.

LDC first tried to establish the copyrightability of its guest rooms. As the court found, “architectural works” were introduced to the Copyright Act in 1991 as a statutorily recognized work to enjoy copyright

protection. An architectural work includes not only a building but an architectural drawing, scale model, and any three-dimensional architectural work built according to either drawings or a scale model, so long as it expresses the ideas and concepts of a three-dimensional structure. An architectural work related to either exterior or interior spaces was supposed to be equally protectable when it met the fundamental requirements of originality and creativity. In summary, LDC’s guest rooms should be subject to copyright protection.

The court reviewed the next issue related to copyright infringement alleged by LDC; however the court denied. To analyze similarities between the accused and protected works, the court applied the test of “comprehensive perception and impression.” When claiming copyright, the owner should enforce the holistic piece of work instead of only a segmented part(s). In review of October’s project plans and drawings, they were not only the guest rooms but the remodeling, spacing, layout making, etc. of the entire hotel. October’s scope of

construction included the lobby, conference halls, restaurants, bars, restrooms, and more. Hence, the court was of the opinion to compare the respective entirety of the two hotels. As LDC did not present evidence of originality and creativity of Palais de Chine's amenities other than the guest rooms, the court has no position to judge similarities of the two architectural works.

Although the copyright was not found infringed, the court upheld LDC's claim of anticompetition. Article 25 of the Fair Trade Act forbids a "deceptive or obviously unfair conduct that is able to affect trading order" carried out by an enterprise. A particular activity amounts to being "obviously unfair" when the "competitor engages in apparently inequitable conduct including exploiting another's results of assiduous efforts, plagiarizing another's webpage built upon industriously collected data, copying in substantive identicalness, etc. [that is] sufficiently considered to impact market order." Essentially, such an activity becomes reprehensible once it brings about an "abstract risk" to potentially compromise the market order, instead of having to produce an actual impact.

Evidence showed explicitly that some people associated with Queena Plaza stayed in guest rooms at Palais de Chine to take pictures and measure furniture sizes. The images were then re-produced in Sheraton-Taitung, according to the expert witness. The assessment report determined that the two interior designs of selected guest rooms are highly similar to one another as the many arrangements, locations, and relative position of items or furniture pieces were extremely similar. Even the same pattern was used in wallpaper. Sheraton-Taitung rebutted

that it was merely commonplace in the area of interior design for some conventional furnishing to be utilized. For example, it is common for a desk set to come with a chair or for there to be a cabinet next to a bed. But the court explained that the witness' report ruled out such elements of conventional furnishing before making its conclusion. Therefore, the court was persuaded that Queena Plaza conducted in plagiarism.

To determine the loss to LDC resulting from the unfair activity of plagiarism, the court did not employ LDC's proposed calculation but instead exercised its discretion to award damages. LDC alleged economic injury but was not sufficiently convincing with respect to supporting its damages claim. An average tourist chooses a resort not simply because of the style, furniture, or decoration inside its rooms. Many other factors such as available amenities, food and catering, geographic location, accessibility and shuttling, and the overall quality of all services are taken into consideration with such an average tourist, and these were evaluated by the court. These factors were absent from LDC's claims. Thus the court in reference to the margin profit standards in the trade of vacation resorts ordered Queena Plaza to pay TWD 5,000,000 plus interest to LDC.

Appeal

Queena Plaza appealed the case. But the appellate court rejected all of Queena Plaza's arguments, and applied the same opinion as that of the trial court.

Appeal Again

The latest development involved a significant twist. The dissatisfied Queena Plaza unyieldingly raised the appellate decision to the Supreme Court. The Supreme Court vacated the appellate decision and remanded the case back to the appellate court.

The appellate judgement erred, firstly, in sufficiently examining Queena Plaza's counter argument about the use of conventional furnishing and arrangement, the Supreme Court reasoned. Additionally, the lower courts did not thoroughly investigate whether LDC had a standing to sue. LDC became a licensee only after discovering Queena Plaza's copying activity. But it was not clear yet if October ever assigned the entitlement to damages to LDC, which enabled LDC a lawful standing to sue. Finally, Queena Plaza persisted that the geographic

sites, customer bases, business operations of the two parties in dispute were distinctively different to form no consumption substitution or competition whatsoever. As the interior design of guest rooms bore minor weight for a tourist to choose a resort, even when the lower courts found plagiarism, they did not adequately explain why there were any facts of obvious unfairness severe enough to compromise market order. The lower court decided that the two parties were closely and highly competitive by merely suggesting that Taiwan is geographically small. That was not sufficient to find either obvious unfairness or compromise of market order. The lower court was mistaken in the interpretation of the Fair Trade Act, as the Supreme Court concluded.

This interior design dispute is expected to continue, but a settlement is also well within the realm of possibilities.

Table 1

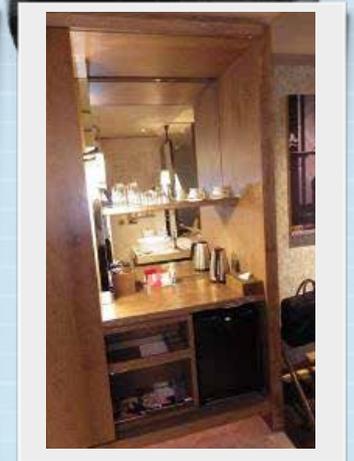
Sheraton-Taitung / Queena Plaza (Defendant)	Palais de Chine / LDC (Plaintiff)	Sheraton-Taitung / Queena Plaza (Defendant)	Palais de Chine / LDC (Plaintiff)
			

【Photos were published by the court judgment of this case.】

Sheraton-Taitung
/ Queena Plaza
(Defendant)



Palais de Chine
/ LDC
(Plaintiff)



Sheraton-Taitung
/ Queena Plaza
(Defendant)



Palais de Chine
/ LDC
(Plaintiff)



Sheraton-Taitung
/ Queena Plaza
(Defendant)



Palais de Chine
/ LDC
(Plaintiff)



【Photos were published by the court judgment of this case.】

CNIPA Promulgates Interim Measures for Implementation of the Amended Patent Law during the Transitional Period

The newly amended China Patent Law has been effective since June 1, 2021. In view of the fact that the Implementation Rules concerning the law in effect have not yet been finalized, on May 25, 2021, the CNIPA promulgated certain Interim Measures (CNIPA Order No. 423) to cope with the implementation of the law on the effective date. The Interim Measures will be enforced until the Implementation Rules of the Patent Law are released and effectuated. Here is a summary of items for attention during the transitional period.

1 Design Patents

The amended Patent Law extended the term of design protection to 15 years, and introduced eligibility to file for partial designs. However, as a principle of the safeguarding of trust, the newly effective statutory laws are not retroactive. Only design applications filed after June 1st, 2021 will enjoy a term of protection of 15 years. In the meantime, partial design applications received after June 1st, 2021 will only be docketed; they will not be examined until the Implementation Rules have come into effect.

Additionally, the Patent Law amendment made it possible to claim domestic priority for design applications. However, a new design application filed after June 1st, 2021 claiming priority of an earlier Chinese (domestic) design application will be subject to examination only after the Implementation Rules have been promulgated.

2 Patent Term Adjustment (PTA)

The purpose of the PTA is to make up for the delay in examination time attributable to CNIPA. To benefit from the PTA, the patentee whose patent was granted after June 1st, 2021 needs to submit a request in printed form within three (3) months of the patent being granted. CNIPA will examine the request once the Implementation Rules are in place.

3 Patent Term Extension (PTE)

The purpose of the PTE is to make up for the period of time when a patent cannot be enforced due to a regulatory review for the market approval of a new drug requiring a patent. To benefit from the PTE, the patentee needs to submit a request in paper form within three (3) months of the granting of the drug's market approval. CNIPA will examine the request once the Implementation Rules are in place.

4 Open license

Any patentee who wishes to grant a license to any interested party or individual, in order to allow them to exploit the patent within a set of standard conditions, may submit a request in printed form. CNIPA will examine the request once the Implementation Rules have been enforced.

5 Patent Evaluation Report

A person accused of patent infringement may voluntarily request a patent evaluation report for the disputed utility model or design patent. To do so, said accused infringer may submit a request in paper form during the transitional period. CNIPA will examine the request once the Implementation Rules have come into effect.

6 New Circumstances for Novelty Loss Exemption during Grace Period

The amended Patent Law has added an “eligible event” to allow for the exemption of any loss of novelty occurring within the six(6)-month grace period before an invention application is filed. An invention will not lose its novelty if its first disclosure occurs owing to the public interest at a time of national or exceptional emergency. An applicant filing an invention application after June 1st, 2021 may request novelty loss exemption if he or she believes that such an event has taken place.

7 Due Date for Submission of Priority Documents

The new terms for submission of priority documents stipulated in the amended Patent Law will be applied for applications with priority claims filed after June 1st, 2021. Therefore, the corresponding due date, namely sixteen(16) months from the earliest filing date of an invention, and three(3) months for a design application, will be determined accordingly.

The Interim Measures are clearly designed to deal with interested applicants or patentees who wish to immediately make use of the new stipulations in the Patent Law. However, CNIPA will not begin to examine or review any new requests or applications until the Implementation Rules have been released and put into operation.

It is worth noting that combating bad faith filing activities has become one of CNIPA's most high-profile concerns in recent times. The new Patent Law has introduced a bad faith clause, to statutorily curb plagiarism, forging, arbitrary filing, filing of irregularly large quantities of applications, and abuse of rights, among other things. Effective from June 1st, 2021, this bad faith clause will be officially enforced throughout all stages of patent prosecution.

Customs Releases Draft Amendment to Border Measures to Solicit Public Opinion

On June 9, 2021, the Draft Amendment to the Regulations Governing Customs Measures in Protecting the Rights and Interests of Trademark (“Draft Amendment”) was published in order to solicit public opinion.

Under current practice, when Customs suspects that any imported or exported product is a counterfeit, they should inform the trademark owner. The trademark owner should go to Customs for inspection of the suspected infringing product within 24 hours and should submit to Customs an identification report in writing within 72 hours if said product is a counterfeit.

The short responding time frame is not convenient for a trademark owner, especially a foreign trademark owner, to go to Customs and to submit relevant documents. In order to reduce the burden on trademark owners, the Draft Amendment allows a trademark owner to carry out an inspection through an online platform approved by Customs and to submit relevant documents online.

It will be much more cost-effective for trademark owners to enforce their right at Customs if the Draft Amendment is passed and effective. The development of the legislative procedure of the Draft Amendment deserves further attention.





TSAI, LEE & CHEN
Patent Attorneys & Attorneys at Law



EDITORIAL PANEL

Publisher ttsai@tsailee.com.tw Thomas Q.T. Tsai
Editor in Chief cjchen@tsailee.com.tw Crystal J. Chen
Researcher & Writer Kevin C.W. Feng
Photo Credit (shutterstock)

TIPS | July 2021

This newsletter is intended as general information only and is not legal or other professional advice. This newsletter does not take into account individual circumstances and may not reflect recent changes in the law. For advice in relation to any specific situation, please contact us.

© TSAI, LEE & CHEN All Rights Reserved

