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Several Changes to the Patent Examination Guidelines Take Effect on July 1, 2022

In June, the Taiwan IP Office made several changes to six chapters in the Patent Examination Guidelines (“Revisions”). In an effort to improve examination quality, unify the Office’ s internal perspectives on different cases, and more effectively address frequent questions that have arisen during the development of examination practices, these finalized changes became effective as of July 1, 2022. The key points are summarized as follows.

1

New measures for the examination of a pending invention application in a parallel filing scenario (Chapter 3)

Filing an invention patent application and a utility model application on the same day, by the same applicant(s) and for the same subject matter(s) is a practical strategy for acquiring early protection of an invention. Since a utility model is not examined, it will be granted rather quickly, in just a few months. A granted utility model serves as a legal protection of the shape and structure of an article or

the combination thereof. This occurs while the examination of an invention application for the same innovative matter will be pending, with the application taking around a year to be granted. Once the invention patent application has been allowed, the applicant opts for either the allowed invention application or the granted utility model. Upon choosing the former, the utility model right will then extinguish from the publication date of the invention patent, and the invention patent right will come into effect seamlessly.

Regarding the practice of parallel filing, there were some questions as to how the IP Office should properly handle a pending invention patent application if, in the meantime, the granted utility model that covers the same matters is invalidated. The new Revisions stipulate that, since both of them cover the same subject matter(s), the validity of an invention patent application shall remain consistent with the validity of the granted utility model. Generally speaking, the examination of the invention patent application should be suspended until the validity decision of the utility model is finalized after the appeals, if any. However, there are exceptions. For example, the examiners may clearly identify rejections in the invention application, or the applicant may amend claims in the invention application which makes them substantively different from the claims in the utility model. If any of the exceptions are applicable, the examination of the invention application may continue without a pause.

Nevertheless, during the examination, reference may be made to the evidence presented in the case of the utility model's validity.

Furthermore, if a utility model is deemed to be invalid but the outcome has not yet been finalized at the time when the invention application has been allowed but not yet granted, the examiner shall withdraw the allowance of the invention application. In order to maintain consistency between them in terms of validity, the examiner shall suspend the examination of the invention application, and it may resume only after the validity of the utility model has been confirmed.

2

**Caution to be taken in
undisclosed disclaimers
(Chapters 6 and 9)**

Amendments to patent claims shall not go beyond the scope of the disclosure as filed. Removal of specific matter that is part of prior art will be considered an introduction of new matter if such removal is not directly and unambiguously derivable from the disclosure as filed. But when the claimed scope after amendment cannot be clearly and concisely determined, an “undisclosed

disclaimer” that is employed for excluding some specific matter that is part of prior art will then not be considered an introduction of new matter.

An undisclosed disclaimer is sometimes used when an applicant tries to overcome a rejection in an Office action. However, a question arose as to whether such a practice is permissible during a voluntary amendment.

The Revisions clarify that, in the case of disclaiming matter voluntarily before the issuance of an Office action, the applicant shall submit sufficient supplementary prior art documents and supportive statements to the examiner who has the discretion to determine whether the disclaimer involves new matter. Without supplementary submissions, the

disclaimer will be considered to introduce new matter, except for cases in which the prior art information was previously provided in the disclosure as filed.

The foregoing practice regarding undisclosed disclaimers shall be similarly applied in post-grant amendments.

3

Limited permissible narrowing of claimed scopes but broadened corrections of obvious errors (Chapter 7)

Types of amendments are somewhat limited when an application is “made final,” or in the phase of a final Office action. Narrowing the claimed scope is one of the permissible amendments.

The Revisions point out particularly that, in general, additions of new claims are not a type of narrowing of the claimed scope, unless the increase of claim

counts is inevitable due to a deletion of dependency followed by a decomposition of a multiple dependent claim. For example, it is permissible to amend a multiple dependent claim reading “an AC comprising a compressor according to any of Claims 1 to 3” to become two claims reading respectively “an AC comprising a compressor according to Claim 1” and “an AC comprising a compressor according to Claim 2,” where the dependency associated with Claim 3 is deleted.

Corrections of apparent errors that are easily identifiable in reference to the context of the entire disclosure by a skilled artisan in the same field are available types of amendments for coping with a final Office action. It is confirmed in the Revisions that the numbering, symbols, or necessary legends of drawings obviously inconsistent with those in the disclosure or in other drawings are subject to corrections during the final Office action stage. Moreover, apparent errors subject to correction can be of a technical nature—such as an incorrect or omitted symbol in a chemical or mathematical formula—if they occur as a result of manifest negligence or misrepresentation and cannot be otherwise understood but for a correction.

4

Proof of viability and deposit required in the certification of biological material deposits (Chapter 14)

The deposit of microorganisms or other biological materials is a necessary part of the disclosure for meeting the enablement requirement of some life science-related patent applications. For a deposit made previously in a foreign depository that is reciprocally recognized by Taiwan, the same patent application enjoys a waiver of the local depository

requirements in Taiwan if a certificate for the foreign deposit is submitted to the Taiwan IP Office within four months of the Taiwan filing date or sixteen months of the priority date.

Notably, as made clear in the Revisions, such a certificate shall contain information regarding the viability of the material as well as the details of the deposit that was made. Most of the certificates issued from depositories endorsed by member states of the Budapest Treaty have included these two pieces of information. However, if a certificate issued from another depository does not show the viability and the details of the deposit, such a foreign deposit does not waive the requirements of the local deposit. In such a case, the applicant is required to make the local deposit within four months from the filing date or sixteen months from the priority date.

Moreover, for cases in which there is a failure to submit proof of viability, the Revisions specifically require the examiner to explain why such an absence of submission would lead to a rejection of enablement in an Office action, so as to offer the applicant a chance to contest the rejection.

Court Affirms Infringement of Mercedes-Benz's Designs for Car Headlights

On August 16, 2019, the IP Court made an important judgment holding Taiwanese car parts manufacturer DEPO infringing the German Daimler AG company's design patents for headlights. DEPO was accused of the manufacture and sale of aftermarket auto headlights which were compatible with the Mercedes-Benz E Class model. The IP Court found the accused products to be similar to the design patents and hence ruled DEPO to be liable for damages amounting to TWD 30 million (about USD 1.1 million at that time). Injunctions were also granted. DEPO appealed the judgment.

Almost three years later, the Intellectual Property and Commercial Court ("IPC Court") released a judgment of second instance on July 14, 2022 to affirm most of the lower court's opinion except for the matter of reducing the monetary damages.¹ Mercedes-Benz Group (formerly Daimler AG) won again.²

The IPC Court firstly reviewed the validity challenge and conducted an infringement analysis. The IPC Court found that Mercedes-Benz's design patents at the center of the dispute did not violate the double patenting principle nor did they fail to meet the enablement requirement. Furthermore, they lawfully claimed priority to German applications. The evidence presented by

DEPO was not sufficient to find lack of novelty or creativeness. As it delved into the comprehensive comparison between the design patents and the accused products, the Court found that the commonly shared features were more likely to attract the attention of consumers, whereas the different features were either inconspicuous or miniscule and therefore deemed to be insignificant in terms of the overall visual effect. Hence, the IPC Court concluded that DEPO's accused products infringed Mercedes-Benz's design patents.

Another critical question in the case was whether Mercedes-Benz had engaged in activities which were detrimental to their competitors in the market.

DEPO's first defense was to complain that, by only being allowed to buy original spare parts, Mercedes-Benz car owners were essentially and unfairly "locked in" to use Mercedes-Benz's repair services. The IPC Court denied this argument, stating that Mercedes-Benz did not have an advantageous status of monopoly in the aftermarket for selling spare parts. Going into more detail, the IPC Court adopted the "system competition" theory in reasoning that the primary market for selling whole vehicles and after markets for

¹ 108-CivilPatentAppeal-No.43

² <https://www.judicial.gov.tw/tw/cp-1888-677574-db4fd-1.html>

spare parts are highly correlated. According to this theory, assuming with a readily available “flow of information” on spare part prices, consumers should be aware of the cost of a car plus the approximate total maintenance cost for the foreseeable lifetime of the car.³ Hence, the primary and after markets are interconnected to constitute one relevant market. When the competition in the primary market is sufficiently strong, the competitive pressure will translate to the aftermarket. As the evidence revealed, Mercedes-Benz faced intense competition by enjoying only 6-8 percent of the market share by volume of automobiles sold in Taiwan, which suggests no market dominance whatsoever. The strong competition in the primary market and consumers’ freedom to choose alternative car brands were good indicators that the aftermarket was similarly competitive. Thus, Mercedes-Benz did not possess market power in either the primary or the after markets for spare parts.

DEPO’s further attempt to assert Mercedes-Benz’s refusal of a license to be discriminative in nature was also denied. The IPC Court pointed out that, as the design patent owner, Mercedes-Benz did not bear an obligation for committing a license. Besides, DEPO could have acquired a patent license from car

brands or OEMs other than Mercedes-Benz. On account of Mercedes-Benz’s low market share, criticizing the company’s decision to refuse a license as being discriminative would not be justifiable.

As a final defense, DEPO alleged that a German guild of automobile manufacturers had once made a collective promise in 2003 that they would not compete against independent spare part makers. Besides, Mercedes-Benz had been silent from enforcing patent rights for more than a decade, which could have implied consent for DEPO to engage and invest in the development of its aftermarket products. Regrettably, the IPC Court found the German announcement to be no more than political in character and there were not any estoppels of not to sue.

Finally in the assessment of damages, DEPO turned the tables slightly. The damages after the trial amounted to TWD 30 million, this being the sales revenue of TWD 23 million multiplied by a factor of 1.295. However, the IPC Court in the appellate review allowed a deduction of further costs and fees, or the indirect costs, from the infringement revenue. Hence, DEPO’s gross profit yield was reduced to about TWD 12 million. With a punitive multiplier of 1.5, the

³ P.6, <https://www.ftc.gov.tw/upload/4a6edda0-95a8-48bb-8ed4-2c84e640ac9d.pdf>

IPC Court awarded an amount of approximately TWD 18 million (around USD 0.6 million). The IPC Court's calculation amounts to a deduction of approximately 40% from the previous award.



DEPO hosted a press conference on July 18 to announce its decision to take its appeal to the Supreme Court for the third instance. DEPO addressed the imminent necessity for legislative efforts to be made regarding auto part repair exemption in Taiwan. In what appeared to be an attempt to attract attention, DEPO stressed—perhaps menacingly—that, in the absence of a repair clause being introduced into the law, it would choose to uproot all of its business establishments from Taiwan and then relocate to China, Malaysia or other countries where the repair clause is in place.

Despite these complaints from DEPO, TIPO refrained from taking action to change the design law, particularly with regard to automobile parts. The Director General of TIPO gave a reminder that a public hearing had been held the previous year by TIPO, the Legislative Yuan (the parliament), the Fair Trade Commission, and other organizations. No consensus was reached as to the enactment of the repair clause. Several conflicting factors—such as local industry development and foreign investment incentives—need to be fully studied before a conclusion dedicated to the harmonized interests of all parties can be reached. What is more, even if Taiwan adopts immunity for aftermarket spare parts, the problems would not be entirely resolved because these products remain at risk of infringement when they are exported overseas. Lastly, the Director General emphasized that a win-win solution would ultimately involve acquiring a license from the patent owner in order to avoid lawsuits involving manufacture, shipping or other related activities.

A number of domestic IP practitioners openly revealed their comments that strongly support TIPO. However, no official statements were released from the Taiwan Patent Attorney Association.

Metaverse-Related Design is Patentable Subject Matter

The metaverse is like a bridge that connects the physical world to the digital world. It is a virtual space people can visit and spend time in. Through the metaverse, people are exploring new ways of interacting and doing business, and such a digital space is shaped by its visual appearance, including 3D objects and motion graphics. Thus, the rapid growth of the metaverse has led to the emergence of various industrial designs.

Many people are doubtful as to whether metaverse-related designs constitute patentable subject matter. In order to encourage the filing of more metaverse-related applications for IP protection, the Taiwan Intellectual Property Office (TIPO) has published an article providing guidance for the protection¹ of metaverse-related designs. This article may serve as an examination standard before the corresponding revision is made for the patent examination guidelines.

A metaverse-related design (or creation) is generally deemed to be a kind of icon or graphical user interface (GUI) applied to “computer program products,” with a visual appearance that can be protected by a design patent. According to Article 121 of the Taiwan Patent Act, “‘design’ means the creation made in respect of the shape, pattern, color, or any combination thereof, of an article as a whole or in part by visual appeal. For computer generated icons (Icons) and graphical user

interfaces (GUIs) applied to an article, an application may also be filed pursuant to this Act for obtaining a design patent.”

Metaverse-related designs can be classified into three groups, namely virtual space, virtual objects, and human-machine interface. When filing an application, applicants may present a virtual space in accordance with interior design, present virtual objects including non-fungible tokens (NFTs) and game treasures in accordance with object design, or present a human-machine interface in accordance with GUI. In other words, applicants may present the design based on the type that has been recognized as being patentable subject matter. Applicants must heed the requirement that the article to which the design applies must be recorded as “computer program products.”

During substantive examination, the determination of whether the appearance is identical or similar to that of prior art designs is based on the corresponding types (i.e., interior design, object design, and GUI). Also, it must be determined whether the article to which the design applies is identical or similar to those to which the prior art designs apply. As mentioned above, the metaverse-related design applies to “computer program products,” whose use is not identical or similar to the use of a

¹ <https://www.tipo.gov.tw/en/cp-282-911795-ec145-2.html>

physical object existing in the physical world. Thus, a physical object will not be cited against the novelty of a metaverse-related design. For example, if someone transforms the appearance of a car into a virtual car in the metaverse and then files an application for “an image applied to computer program products,” the physical car will not be cited against the novelty of the virtual car.

However, in the examination of creativeness, prior art designs are not limited to the technical fields of the identical or similar articles to which the design applies. If applicants merely transform the appearance of an article existing in the physical world to a virtual appearance in the metaverse (i.e., computer program products), this is likely to be regarded as a design which can be easily conceived and thus be rejected on the grounds of being devoid of creativeness. Therefore, in the example mentioned above, the physical car may be cited to comment on the creativeness of a virtual car.

TIPO also explained the enforcement of metaverse-related design rights. According to the Directions for Determining Patent Infringement, it is necessary to decide whether the articles to which the patented design and the accused design apply are identical or similar, and to determine whether the appearances of the two designs are identical or similar. The determination of whether the two articles are identical or similar is mainly based on the use of the articles from the perspective

of an actual purchaser or an ordinary consumer. After a design right has been granted, the scope of protection only extends to the virtual appearance generated by the applied “computer program product” and not to the appearance of the physical object. The situation of an applicant wishing to protect his or her designs in both the real world and the metaverse with a single design patent is not possible at this stage as TIPO has not yet made a provision for this occurrence. In order to obtain full protection, the applicant needs to file separate applications for both the real and the virtual objects before one of the applications is published. This differs from a trademark application that can be filed separately for additional designated goods or services even after the first application has been published.

Nevertheless, being protected by a design right does not mean that the computer program works that are used to generate icons or GUIs are also protected by copyright. Indeed, there are still many legal issues that need to be resolved regarding intellectual property rights in the metaverse. For example, digital assets formed by blockchain technology cannot be easily destroyed. Infringement exclusion or prevention in the metaverse can be challenging. In addition, intellectual property rights are territorial; the governing jurisdiction is questionable in the realm of the virtual world. These issues need to be more clearly defined or interpreted by case law or by the creation of new laws regarding new technology.

Generic Drug Maker Reversed Unfavorable Judgement After Expiration of Patent Term

AstraZeneca is the owner of Taiwanese patent I238720 entitled “Pharmaceutical composition for use in the treatment of heterozygous familial hypercholesterolemia.” AstraZeneca manufactures Rosuvastatin under the famous trade name Crestor. Sold in 20mg and 10mg tablets, Crestor is a statin medication to treat cardiovascular disorders such as dyslipidaemia and hypercholesterolaemia by working as a certain reductase’ s inhibitor in order to reduce the production of low-density lipoprotein (LDL) and very-low-density lipoprotein (VLDL). After the pharmaceutical patent linkage system was instituted into law, AstraZeneca listed the ‘720 patent to declare it associated with Crestor 10mg and 20mg tablets.

TSH Biopharm (“TSH”) of Taiwan developed Cretrol tablets, a medication that contains Rosuvastatin calcium and Ezetimibe as active ingredients for curing primary hypercholesterolemia and dyslipidaemia. In October 2019, to apply for regulatory approval, TSH declared that Cretrol did not infringe the ‘720 patent pursuant to the Pharmaceutical Act and relevant regulations.

In response to TSH’ s declaration, AstraZeneca filed an infringement suit in an attempt to prevent the manufacture, use, sale, offer for sale, or import activities relating to Cretrol. AstraZeneca asserted that, by treating primary hypercholesterolemia (PH), TSH’ s Cretrol also treats its sub-form - the heterozygous familial hypercholesterolemia (HeFH) - and therefore infringes the ‘720 patent. The hierarchical relationships of PH, HeFH, and other relevant diseases are illustrated below.

Tsai, Lee & Chen was retained to defend TSH.

As the lawsuit was ongoing, TSH applied for revision of therapeutic indications on the product label. Specifically, the intended original use of Cretrol was written to treat “primary hypercholesterolemia.” But it later added an exclusion to say “primary hypercholesterolemia (excluding the heterozygous familial type).” In other words, the drug authority approved the indications on the product label to become essentially non-familial hypercholesterolemia (Non-FH) and homozygous familial hypercholesterolemia (HoFH) but not HeFH.

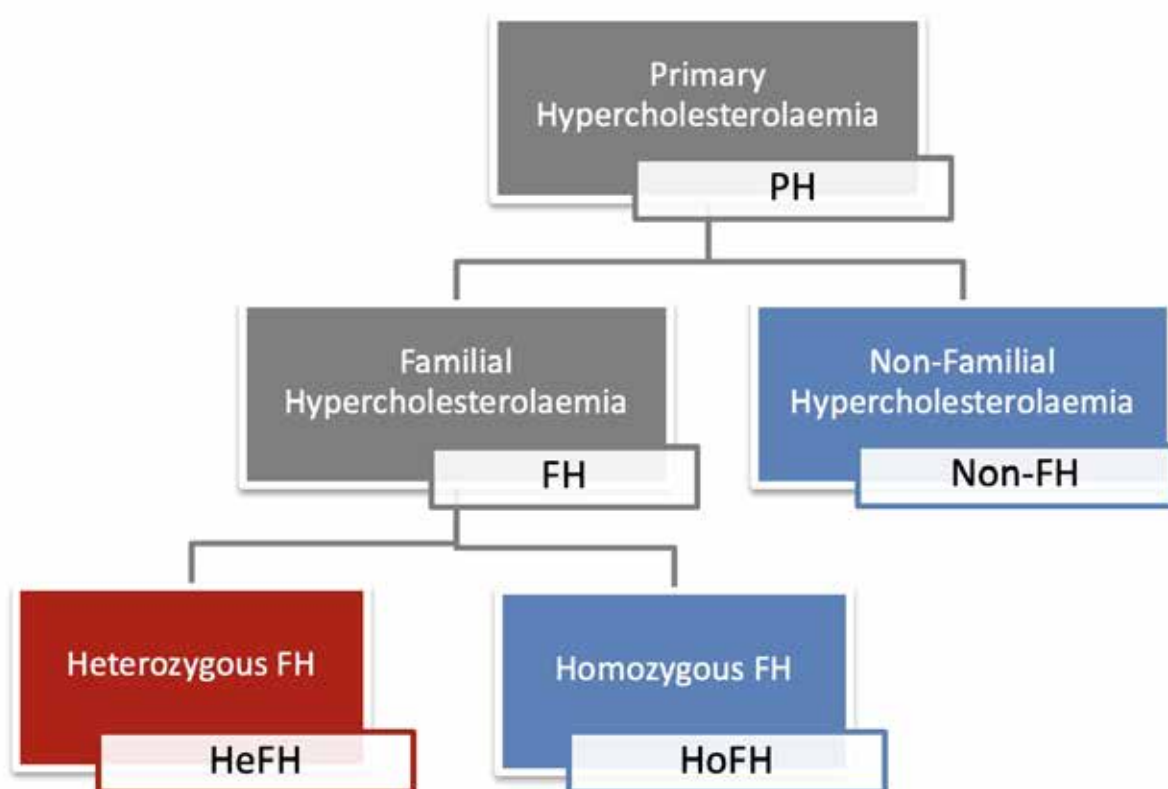
TSH as the defendant in its arguments stressed that the mere act of applying for marketing approval of a drug should not constitute an infringement by default. However, the patent linkage system creates a legal fiction to regard an application for marketing approval a quasi-infringement. Meanwhile, the system creates an exception available for the applicant to elude fictional infringement. Article 48-20(2)(2) of the Pharmaceutical Act particularly prescribes that “[in the event where] the applicant for a generic drug’ s marketing approval exclude a therapeutic indication corresponding to a patent claim of pharmaceutical use and then declare non-infringement,” the remaining rules regarding a suspension for granting the generic marketing approval and a sales exclusivity shall not apply. Indeed, according to its legislative background, Article 48-20 was stipulated to offer a generic drug a chance to avoid the risks of infringement by way of excluding a certain number of therapeutic indications that are overlapped with those of a patented drug. That is, “carve-out” is a permissible practice to prevent infringement.

Moreover, the ‘720 patent’ s claims were “product-by-process” claims. Based on the patent examination guidelines prior to 2013, the features of use were limitations to the claimed scope. The enforceable scope of patent right is to be restricted to only the pharmaceutical use as claimed. Claim 1 directs to a “use of [Rosuvastatin] or a pharmaceutically acceptable salt thereof in the manufacture of a medicament for use in the treatment of a patient suffering from heterozygous familial hypercholesterolemia.” The “treatment of heterozygous familial hypercholesterolemia (HeFH)” was a limiting feature suggesting that only another drug that cures HeFH would read on Claim 1. However, in the present case, there was no drug product that actually went into production by the defendant TSH to begin with. Moreover, as explained above, the product label as revised specifically carved out the therapeutic indication of HeFH. Hence, TSH’ s application for its marketing approval should not be infringing.

Regrettably, in the court’ s approach to the case, it went beyond what the revised product label read and studied rather scientifically whether the Cretrol’ s combination of ingredients - namely Rosuvastatin calcium and Ezetimibe - would treat HeFH despite the fact that Cretrol was not even produced yet. The court concluded the answer to be “yes” and hence ruled that this hypothetical product Cretrol infringing on Claims 1, 5, and 8 of the ‘ 720 patent. The trial judgment was made on October 26, 2021.^① The defendant TSH quickly appealed under the advice of Tsai, Lee & Chen who continued to be the sole counsel for the case in the second instance.

^① 110-CivilPatentTrial-No.9

During the pendency of the appellate level, the '720 patent became expired on November 20 of 2021, which was before the close of oral argument proceedings. The appellate court did not delve into the substantive issues such as the scope of claimed patent rights and the therapeutic indications on the product labels. Instead, the court only focused on the lapse of patent term. Notwithstanding the appellant's necessity of legal protection existed in the first instance, the court shall rule to dismiss the case if such necessity becomes extinguished before the oral argument finishes, the court cited.² The case went moot. Thus the court held dismissal of the case.³ The entire trial judgment was vacated. The legal status of both parties returns to the state of no infringement.



² 97-TaiwanAppeal-No.2247

³ 111-CivilPatentAppeal-No.9

Supreme Administrative Court Affirmed AI NOT Entitled to Inventorship

Dr. Steven Thaler filed for an invention patent application in November 2019 to designate an AI system known as DABUS as an inventor. The Taiwan IP Office (“TIPO”) and the Ministry of Economic Affairs rejected the application; this was followed by the applicant’s filing of a lawsuit. In August 2021, the Taiwan Intellectual Property and Commercial Court (“IPC Court”) ruled in a judgment to uphold TIPO’s decision and dismissed the case.¹ Dr. Thaler appealed. In July 2022, the Supreme Administrative Court (“SAC”) maintained the trial judgment ruling that an AI system is not entitled to inventorship.²

While the SAC agreed with all of the IPC Court’s reasoning and conclusions, it nevertheless sought to address several points of emphasis in its appellate judgment.

The focus of the SAC’s analysis was the definition of an inventor. The SAC believes that an inventor is one who actually engages in research and creative activity. The inventor has to make a substantive contribution to the technical features claimed in the patent application. The

¹ 110-AdminPatentTrial-No.3

² 111-Appeal-No.55

inventor is the figure who gives birth to a concept dedicated to solving a problem or achieving a technical effect, and the inventor suggests a particular technical means of accomplishing this. Furthermore, an inventor enjoys the right of paternity. Hence, an inventor must be a natural person.

The definition of an inventor can also be found in the Patent Examination Guidelines. The Guidelines state repeatedly - over a number of chapters - that an inventor must be a natural person. The SAC stressed that since the Guidelines were promulgated in accordance with the legislative objectives of the Patent Act, such a definition - that is, one that accepts only a natural person as the inventor—was deemed to be correct.

The second section of the SAC's analysis concerned the failure of the applicant to meet formality obligations. The Patent Act and its Implementation Rules require specific sufficiency of contents and information in order to have a patent application successfully docketed; this includes the inventor's name and nationality on the application form. However, in the present case, only the English name was entered in the field - as "NONE, DABUS" - and the Chinese name and nationality were not given. The applicant was leniently given a designated time period of more than six months to correct the mistake, before TIPO finally rejected the case. TIPO's decision was made in compliance with the law.

Lastly, the SAC addressed the issue of international comparative law. On the one hand, among all countries in which the applicant filed patent applications, there was only one country that accepted DABUS as the inventor. On the other hand, another country's grounds for accepting the AI system as the inventor does not justify that Taiwan has to follow *mutatis mutandis*; in any case, Taiwan may have a different legal basis. The SAC concluded that in Taiwan, DABUS is an object to be dominated or possessed rather than a subject which may enjoy rights and bear liabilities.

The case was so affirmed.

Chen v. ChengYi

Assessment of Damages in Default Judgement

Taiwan civil litigation adopts the adversary system which requires the parties themselves to provide arguments and evidence. Nevertheless, if one of the parties fails to respond to a court summons and does not appear in court to make an oral argument, the court may, upon motion or *ex officio*, enter a default judgment. A recent judgment¹ shows how the Intellectual Property and Commercial Court (“IPC Court”) took the arguments of the appearing party into consideration and determined the amount of damages.

Chen accused ChengYi Ltd. Co. (“ChengYi”) of manufacture and sale of the accused product which infringed her design patent at issue (patent no. D208862). Pursuant to Article 96(1)-(3) of the Patent Act applied mutatis mutandis in Article 142 of the said Act, Chen sought monetary damages and an injunction against further infringement of the design patent right. With regard to the amount of damages, Chen requested that it should be determined based on ChengYi’s total sales and tax return as the primary claim, or based on the licensing agreement between a third party and her as the secondary claim. If the evidence provided was not sufficient to prove the damages claimed, Chen would request that the IPC Court determine the amount of damages according to its own assessment while taking all circumstances into consideration.

However, if a defendant who has been legally summoned does not appear in court, there are provisions of the Code of Civil Procedure that apply to this situation. Article 385(1) of the Code of Civil Procedure reads, “[w]here one of the parties fails to appear at the oral-argument session, the court may, on the appearing party's motion, enter a default judgment based on the appearing party's arguments; where the party who fails to appear is summoned and fails to appear again, the court may also on its own initiative enter a default judgment based on the appearing party's arguments.” In other words, the court may enter a final judgement based on only the evidence presented by the appearing party. In addition, pursuant to Article 280(3) of the Code of Civil Procedure, a fact will be deemed admitted if a party neither appears in the oral-argument session nor submits a pleading to dispute such fact alleged by the opposite party.

Applied to the present case, ChengYi had been legally summoned but failed to appear in the oral-argument session without any justifiable reason, so the IPC Court entered the default judgement upon Chen’s motion.

First, based on the evidence presented by Chen, the IPC Court held that the accused product fell within the scope of the design patent at issue. Moreover, Chen had authorized her attorney to

¹ 110-CivilPatTrial-No.48



Comments

issue a cease and desist letter to ChengYi, but there was no action taken by ChenYi to respond to the letter. The IPC Court stated that ChengYi was at least negligent about the infringement and should be liable for damages.

When determining the amount of damages, according to the primary claim (i.e., based on ChengYi' s total sales and tax return), the IPC Court took into consideration the scope of ChengYi' s registered businesses, and found that ChengYi engaged in a number of business activities other than that related to the accused product. Chen simply claimed that the total sales of ChengYi were relevant to the sale of the accused product, but failed to provide persuasive evidence showing this to be the case. Accordingly, there was no reason to use ChengYi' s average monthly sales, which were around TWD 6 million, as grounds for determining the amount of damages.

Moving on to the discussion of the secondary claim, Chen provided the licensing agreement between the third party and her, and requested compensation based on the annual royalty amount of NTD 180,000. The IPC Court believed that it was reasonable to award damages by an amount equal to this annual royalty.

In this case, it is worth discussing how the IPC Court determined the amount of damages. Based on the fact that Chen had sent the cease and desist letter to ChengYi but did not receive any response, the manufacture and sale of the accused product could be deemed willful infringement. Nevertheless, the IPC Court simply awarded damages by an amount that was equal to the annual royalty paid by the third party. That is, the awarded amount of damages would have been the same if the defendant had entered into a licensing agreement with Chen.

According to Article 97(2) of the Patent Act, "[s]ubject to the preceding paragraph, where the infringement is found to be intentionally committed, the court may, upon request and on the basis of the severity of the infringement, award damages greater than the loss suffered but not exceeding three (3) times of the proven loss." If the plaintiff had failed to claim a higher amount in her favor, she could still have claimed for damages not exceeding three times of the proven loss. However, in the present case, it seems that Chen did not make such a claim in the compliant, or increase the amount of damages claimed in the trial proceedings, so the IPC Court had no discretionary power to award punitive damages according to the principle of party disposition.



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