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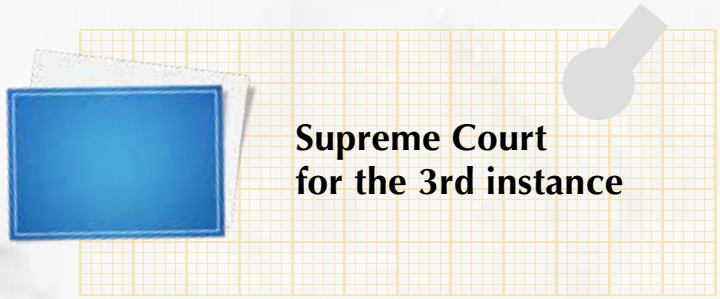
Famous Luxury Hotel Brand Won Again in Retrial for Interior Design Dispute

LDC Hotels & Resorts ("LDC") is one of the largest locally founded hotel chains. LDC—short for "Luxury, Dreams and Culture"—owns a series of distinguished high-end hotels across Taiwan. It sued Queena Plaza for copyright infringement and competition law violations due to its use of similar interior designs in some guest rooms of Queena Plaza' s Taitung branch, followed by a breakdown in licensing negotiations.

As a result of the trial, the IPC Court as the court of first instance found LDC' s copyright of architectural works not infringed. However, the court upheld LDC' s unfair competition claims in which LDC complained Queena Plaza of plagiarism by reproducing LDC' s guest room interior designs, spatial arrangements, lighting setups and furniture planning, among other things. To make matters worse, in the appeal, Queena Plaza' s defensive arguments and rebuttals were all turned down. In addition to the anti-competitive violations, the IPC Court as the appellate court reversed the trial court' s decision, determining that LDC' s copyright for architectural works was indeed infringed.



Unwaveringly, Queena Plaza brought the case to the Supreme Court. In January 2021, the Supreme Court ruled in a decision to partially vacate the appellate decision, finding that a number of questions of facts were unresolved or, at least, not clearly resolved.[1] The case was then remanded back to the appellate court.

First of all, the Supreme Court found that the lower court had erred by failing to sufficiently explain why it recognized LDC' s interior designs as being original, whereas originality is one of the necessary elements entitling a disputed work to copyright protection.

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1 SC-109-TaiwanAppeal-No.2725

Furthermore, as the Supreme Court added, the interior design in dispute was completed by an LDC' s contractor. Arguably, the contractor is the only proper entity who may initiate an action when a dispute arises. LDC did not modify their contract to include a license clause until acknowledging the Queena Plaza' s activities of plagiarism as accused. The question of whether the standing to sue Queena Plaza was thereby retroactively entitled to LDC was left unanswered by the lower court.

Moreover, the question of anti-competitive practices—whether Queena Plaza' s activities amounted to the creation of an unjustifiable barrier to an effective competition to the extent that it undermined trading order—was not fully addressed. In Queena Plaza' s counterarguments, it alleged that the relationship between the two parties were in a weak tie of competition since their geographical locations, target consumers and business operation schemes were sufficiently different that neither of them is replacing or competing with the other. The Supreme Court stressed, however, that the lower court had turned a blind eye to this pro-Queena Plaza evidence. Seemingly, the lower court had carelessly determined Queena Plaza to have violated the Fair Trade Act by swiftly concluding that, since the island of Taiwan was small enough to form one single market with no differentiation between north and south in terms of target tourist consumers, the

Remanding back to the IPC Court for the 2nd instance retrial

The case was remanded to the IPC Court. After once again hearing the complaints and arguments from both parties, the IPC Court made a retrial judgment in October 2022, affirming that Queena Plaza had not infringed copyright but had nevertheless committed anti-competition violations.[2]

[2] IPC-110-CivilCopyrightAppealRetrial(1)-No.1 (10/24/2022)

On the question of the element of originality of an architectural work, the retrial court again denied LDC' s claims of originality in the interior design in dispute. An interior design refers to the integrative planning of any household objects inside the building, including walls, windows, curtains, doors, surface finishes, paint materials, lighting, air conditioning, water and electricity. If an interior design attached to a building becomes an inalienable part of the interior space of the same building—generating uniqueness and personal traits—it is considered a copyrightable architectural work. In the present case, although the selection, design and placing of "furniture" might be uniquely original, the same could not necessarily be said of the planning of the entire room, including the furniture. Viewing the interior space as a whole, the furniture was structurally detached from the structure of the building, and the aesthetics of the removable furniture items bore no relation to an architectural work. Since the selected furniture and decorations were not indispensable parts of an architectural work, the rooms did not attain originality simply through the addition of novel and exotic furniture pieces.

In a further attempt to support its originality argument, LDC explained the overall planning and layout of guest rooms by presenting a number of construction drawings. Regrettably, the retrial court found them to be similarly unhelpful for supporting such arguments. The floor plans, elevation drawings, section drawings and expansion drawings etc. presented at best the sizes and configurations of furniture and decorations, and they bore little relation to the original expression of the artistic demonstration. More importantly, due to government safety restrictions and the general practices by which the hotel industry must abide, freedom of creative design for hotel room layouts was generally limited. For example, a bathroom must have separated wet and dry facilities and must be near the door, there must be a clear passage running through the entire room, a TV is placed opposite the bed, there is a floor-to-ceiling window, and a lower cabinet with a lamp stand is placed next to the bed. The configuration and placement of tables, sofas, writing desks, mini bars, refrigerators and mirrors, for example, were all essential home furnishing elements that followed the hotels' customary norms as well as meeting the government-promulgated Evaluation Standard of Hotel Rating. Therefore, the interior designs in dispute—encompassing the planning of the overall space, choices of furniture size, and the creation of "flow" in a room—were judged not to be significantly different from those of other rooms used by consumers.

Hence, on the grounds of lack of originality, the interior design of LDC' s guest rooms was not deemed to be a copyrightable architectural work.

Despite the failure to establish a copyright claim, however, LDC successfully convinced the court to accept another of their claims on anti-competitive grounds.

The Fair Trade Act forbids "fraudulent or manifestly unfair conduct that is capable of affecting trading order" carried out by an enterprise. A particular activity is deemed to be "manifestly unfair" when the "competitor engages in apparently inequitable conduct including exploiting another' s results of assiduous efforts, etc. … [that is] sufficiently considered to impact market order" . Two factors in particular must be considered: (1) the underlying object being unfairly exploited or copied is one in which the owning entity has invested considerable effort and has ultimately obtained an economic benefit therefrom; and (2) consumers are led to mistakenly believe that the copying/exploiting and copied/exploited objects are from the same source, from the same series of products, or from related producers.

In the present case, LDC created its guest rooms through dedicated construction investments, enjoying widespread fame and popularity as a result of media coverage and customer reviews. These designs indeed presented uniqueness and brought economic benefits.

Secondly, there was no doubt that Queena Plaza engaged in a comprehensive reproduction of LDC' s guest rooms. As relevant evidence explicitly revealed, individuals closely associated with Queena Plaza rigorously took pictures and measured the sizes of furniture pieces and room spaces. A witness report from a third-party investigative agent unveiled that LDC' s and Queena Plaza' s rooms were highly similar to each other in terms of the arrangement, location and relative position of in-room items; even the wallpaper patterns were found to be the same. Although Queena Plaza argued that such similarities were commonplace in the hotel industry, the witness report defended its credibility by stressing that the conventional style of furnishing was of no part in its analysis to come to the conclusion of similarity.

Lastly, the IPC Court supplemented its reasoning to answer the Supreme Court' s question of whether Queena Plaza's accused activities amounted to "fraudulent or manifestly unfair conduct capable of affecting trading order" . Needless to say, LDC and Queena Plaza were direct competitors in the hotel industry. In light of consumer behavior in the hospitality industry, room style and furnishing are key factors in choosing a hotel to stay in, according to a study. They are also crucial for obtaining a high score in hotel standard ratings. Use of the same or highly similar styles and/or designs could lead consumers to mistakenly acknowledge that the two hotels are correlated, for example, in terms of franchising or licensing. Queena Plaza posted its room design highly similar to those of LDC on various third-party' s reservation websites; this practice escalated the risk of consumers wrongly perceiving Queena Plaza hotels to be one of the brands controlled by LDC group. Essentially, an activity becomes unfair—and ultimately reprehensible—once it brings about an "abstract risk" , potentially compromising the market order, instead of having to produce an actual impact. Even when competitors differ in terms of geographical location, customer tiers or business operating schemes, such a risk of a correlation likely influencing potential customers' decision-making is present.

To briefly conclude, Queena Plaza's reproduction of LDC's rooms jumpstarted its business with less effort than would otherwise have been necessary. Such acts undoubtedly saved Queena Plaza huge costs in elegant interior designs and expedited its preparations prior to its grand opening. Queena Plaza benefited from a "free ride" by using these unique designs to attract more admiring consumers while potentially misleading them to believe that Queena Plaza was related to LDC. This practice, aimed at gaining financial benefits and enhancing its market reputation by undermining the particular competitive advantage of a forerunner, was indeed deceptive and clearly unfair. It was also severe enough to impact the normal course of operation in the industry.

The IPC Court affirmed an award of TWD 5 million together with an injunction to remove certain furniture items from Queena Plaza's guest rooms in dispute. The court also ordered Queena Plaza to delete its listings on hotel reservation websites and imposed Queena Plaza an obligation to publish the judgment in newspapers at its own expense.

The case remained appealable once again to the Supreme Court.

History of Proceedings

Level; Instance	Court	Copyright infringement	Anti-competitive violation
Trial; 1st	IPC Court	No	Yes
Appeal; 2nd	IPC Court	Yes	Yes
Appeal; 3rd	Supreme Court	N/A; Vacate and Remand	
Retrial; 2nd	IPC Court	No	Yes

Supreme Court's Opinion on Objective Criteria for Avoiding Hindsight

In a patent infringement case, when the defendant raises a defense of invalidity, the court will generally follow the same steps laid out in the Patent Examination Guidelines to determine whether the patent at issue involves an inventive step. These steps are as follows: (1) determining the scope of the patent at issue; (2) determining the contents disclosed in the relevant prior art; (3) determining the technical level of a person having ordinary skill in the art ("PHOSITA"); (4) determining the differences between the patent at issue and the contents disclosed in the relevant prior art; and (5) determining whether a PHOSITA can easily accomplish the patent at issue based on the contents disclosed in the relevant prior art and common general knowledge at filing. Therefore, the key point of the determination is "whether a PHOSITA can easily accomplish the patent at issue based on the knowledge available at filing."

In order to minimize any hindsight bias arising during the examination which may affect the assessment of an inventive step, it is important to interpret the uncertain legal concept of a PHOSITA. Accordingly, it is debatable whether the court should first define or explain the PHOSITA when the issue of invalidity is raised. The negative argument derived from some past practices holds that the PHOSITA is presented to some extent through the prior art revealed in the litigation process or in the process of assessing the inventive step, so there is no need to define it separately; the following case[1] illustrates the positive argument.

The appellant (the plaintiff in the first instance court and the appellant in the appeal court), whose patent right (TW I420783) was valid from Feb. 1, 2001 to Oct. 16, 2015, filed a patent infringement lawsuit at the time when the two-year statute of limitations for claiming damages for infringement was due to expire under Taiwan law. Although both the first instance court and the appellate court found that the patent at issue lacked an inventive step, the Supreme Court remanded the case to the appellate court with a different opinion.

Firstly, the Supreme Court held that the appellate court was in contravention of the laws and regulations because it ruled, without making reference to the specification, that the claims which the appellee intended to invalidate were not clearly and concisely disclosed, thereby rendering the inventions impossible or difficult to exploit.

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[1] 111-TaiwanAppeal-No.186

Secondly, the application of the patent at issue was filed on Oct. 17, 1995, so the patentability should be determined objectively according to common general knowledge at filing. In the litigation process, the appellant had proposed that the interpretation of the terms of the patent at issue should be based on the opinions of general technicians in the relevant industry, so it was necessary to bring in as expert witnesses those who had possessed ordinary skill in the art for over 20 years in order to prove the technical level of a PHOSITA. However, the appellate court failed to show the grounds for the decision, and there was no explanation of a PHOSITA. Not only was there a contravention of the laws and regulations, there was also a failure to provide reasons in the judgment.

In addition, the appellant repeatedly stated that the patent rights were also granted in the United Kingdom, the United States, China and Japan more than 20 years ago, and many domestically listed companies are also involved in the licensing agreement, so the patent at issue solved some long-standing but unsolved problems and was commercially successful. It was in contravention of the laws and regulations, and there was a failure to provide reasons in the judgment of the appellate court. Accordingly, the Supreme Court opined that when conducting the determination of an inventive step, in order to avoid subjective determination (such as hindsight), the following factors may be taken into consideration: (1) the patent at issue fulfilled a long-standing need; (2) the patent at issue replaced the products of the prior art, thereby achieving commercial success; (3) concessions were made by licensees and competitors; (4) the invention was copied or praised by the infringer; and (5) there existed no nearly identical invention simultaneously.

In summary, the Supreme Court firstly indicated that if one of the parties raises a dispute over the PHOSITA, the court should justify the grounds for determining a PHOSITA or should state the reasons for not doing so. Also, "commercial success" was originally a supplementary judgment factor in the determination of an inventive step in the Patent Examination Guidelines, but the Supreme Court provided a new opinion on the specific judgment factors of commercial success, which seems to recognize the importance of commercial success for the determination of an inventive step. In other words, in order to minimize hindsight bias which may affect the assessment of an inventive step, the Supreme Court held that both PHOSITA and commercial success are key factors to be taken into consideration. However, it remains to be seen whether the court will follow this view and whether it will be an entry point for disputes between parties in future patent infringement litigations.

Fair Use Defense in Trademark Infringement Denied on Ground of Non-descriptive Use

CMP is a commercial group whose business ranges from realty development to retail shopping malls. Green energy, environmental sustainability and lifestyle considerations have been prominent features of many of its building projects. CMP owns two trademarks: "Qing-mei-lv-yuan-dao" , phonetically sounded in Chinese to mean "Parklane by CMP" , and "Qing-mei-tian-di", meaning "CMP World."

It was found that Apex group, another realty developer, was using phrases associated with "CMP"—such as "Parklane by CMP" , "CMP on Gongyi Road" and "CMP X Gongyi"— in conjunction with its Facebook ads for a real estate project named "Omotesando." Apex argued that the activities in question—the use of CMP' s trademarks— were fair uses of phrases. Instead of indicating the source of a service, the phrases did no more than making reference to a famous landmark—The "Park Lane by CMP" , a huge shopping plaza complex housing fashion stores, restaurants and other outlets (hereinafter "Shopping Center")—as an "eye-catcher" to emphasize the proximity between Omotesando' s project site and the Shopping Center.

Accepting the standpoint of the defendant, the trial court rejected CMP' s claims of trademark infringement; CMP then appealed.[1]

Less than six months later, the appellate court made the 2nd instance judgment to reverse the trial decision, with a finding of trademark infringement as a result of failed fair use defense.[2]

1 IPC-110-CivilTrademarkTrial-No.49 (2022.05.04)
2 IPC-111-CivilTrademarkAppeal-No.14 (2022.11.24)

Whether a fair use clause was established was the most critical question in the case. A third party is not prohibited from using a registered mark when the user "indicates his/her own name, … , or any other description in relation to his/her own goods or services, in accordance with honest practices in industrial or commercial matters and not using it as a trademark" , as the Trademark Act provides. The court found that the CMP-related terms were used far more prominently in Apex' s advertising materials than were the Apex terms themselves. "Parklane by CMP" , "CMP on Gongyi Road" and "CMP X Gongyi" appeared repetitively on each page of a sales brochure, while the terms "Omotesando" and "Apex" were much smaller and more inconspicuously placed, in one corner of the front page. On the Facebook page for the Omotesando project, the term "Apex" was never shown, whereas a word combination reading "Omotesando + CMP on Gongyi Road + 2 or 3 rooms per unit" was shown. The court determined that the phrase "The Parklane by CMP" was used to promote Apex's own Omotesando project.

Although "CMP on Gongyi Road" and "CMP X Gongyi" might serve a descriptive function in explaining the relative location of Omotesando since Gongyi Road is a place on the map. However, the accused uses did not turn justifiable since they additionally employ the word element "CMP" together with "Gongyi" repeatedly. As the court cited, trademark right does not restrain a third party if a trademark is employed primarily as a descriptor of, for example, the name, exterior, quality or function of a product or service rather than as an indicator of the source of goods/services.[3] CMP was conceptually irrelevant to Omotesando; neither did "Parklane by CMP" serve to describe Omotesando' s qualities. The use of a trademark specifically bearing "CMP" was not deemed to be an act of necessity; indeed, such use might have wrongfully implied some level of endorsement.

[3] IPC-110-CivilTrademarkTrial-No.49 (2022.05.04)

Apex' s argument that the use of "Parklane by CMP" served only to denote the proximity of Omotesando to the Shopping Center was similarly untenable; Omotesando is in fact closer to another famous street market. The distance between Omotesando and the Shopping Center is greater, letting along a running creek separating them apart spatially. In contrast to Apex' s argument, using the label "Parklane by CMP" did little to provide a particular geographical reference to serve as a guide for interested property buyers to find the location of Omotesando.

Good faith was another essential element for establishing fair use yet found absent in the case. A user acts in good faith when such a person has no knowledge that the mark being used is a registered trademark. "Parklane by CMP" was a registered trademark available to the public domain. Apex, being in direct competition with CMP in the real estate industry, knew or should have known the trademark registration. CMP subsequently sent Apex a cautionary notice advising them of the fact of the trademark registration and Apex' s use thereof. Apex' s continued use of "Parklane by CMP" after this point clearly manifested a bad faith intention.

Finally, the court analyzed the damages. Based on the projected minimum price of each flat, the number of units sold, and the average profit margin for the construction industry set by the National Taxation Bureau, it was estimated that the total profit of Omotesando might have amounted to TWD 142 million in a modest calculation. CMP then claimed for only TWD one million (around USD 32,700) as a token of damages. The court awarded it accordingly.

The support of damage calculations by virtue of preliminary evidence was one of the main features of the dispute. It was almost impossible to accurately come up with a concrete figure to represent the contribution of the plaintiff's trademark to Apex's total profits its future sales of properties. Tsai, Lee & Chen proposed to the court a novel combination of factors that resulted in the average gross from the sale of a property unit, the total number of property units to be sold, and a peer-comparable profit margin according to the tax authority. Indeed, no one would argue that the defendant' s property sale originated primarily from the infringing use of the plaintiff' s trademark; however, neither was it rational to exclude any credit attributable to the trademark. To avoid either extreme, the rationale of equity comes into play. Taiwan IPC Court accepted a claim for a symbolic figure that accounted for less than 0.8% of the plaintiff' s lowest possible loss. This case—in which the demanded figure was extremely small even in the view of average people—seems to indicate that courts are inclined to take this conservative approach.

Tsai, Lee & Chen represented CMP in both the trial and the appeal for the case. Before the time of publication of this article, Apex again filed for an appeal to the Supreme Court.

Taiwan Patent Linkage May Be Available for More Drugs

Taiwan's patent-pharmaceutical linkage system used to be limited to drugs of new compositions, new therapeutic compounds and new methods of administration (hereinafter referred to collectively as "category 1"). In the wake of a recent judgment[1], pharmaceutical preparations of new dosage forms, new administered doses and new unit strengths (collectively hereinafter referred to "category 2")—and perhaps others—may also have a chance of becoming eligible for the system.

In September and October of 2019, Novartis Taiwan Co., Ltd. ("Novartis") uploaded a series of patent details relating to 12 marketing approvals (including Glivec, Jadenu and Jakavi, among others) onto the Patent Linkage Registration Platform ("the Platform") maintained by the Taiwan Food and Drug Administration ("TFDA"). The TFDA subsequently found that each of the 12 approvals referred to one of the category 2 drug products—the new dosage forms, new administered dosages and new unit strengths. Determining them not to relate to a so-called new drug as per the Pharmaceutical Affairs Act ("PAA"), the TFDA removed Novartis's listings from the Platform. Following a failed administrative appeal, Novartis filed a lawsuit to the Taipei High Administrative Court.

Novartis's main complaint was that the removal by TFDA was wrong since it narrowly interpreted a new drug eligible for patent linkage as being only a category 1 drug and thus excluded the category 2 drugs. Besides, the PAA only authorized the TDFA to maintain a listing platform and to publish the patent information thereon. The TFDA does not have the discretionary authority to spontaneously review, modify or even delete the patent listings uploaded by a pharmaceutical patentee wishing to make use of the patent linkage system. As the defendant, the TFDA argued that a "new drug" was defined in Article 7 of the PAA as a medical preparation of new compositions, new therapeutic compounds or new methods of administration—that is, the category 1

[1] 110-Suit-No.1060, Taipei High Administrative Court (2022.12.29)

drugs. The TFDA countered that, the question of whether a candidate drug is eligible for the system depends on whether the drug falls within the definition as per Article 7. Since Article 7 of the PAA precedes Articles 48-3 to 48-22 that governs patent linkage, the definition of a new drug in Article 7 should have applied in the patent linkage. Seeing a patent listing of a medical product failing to meet the definition in Article 7, the TFDA insisted that they were right to remove such a listing.

After a review of the legislative background of the linkage system, the court found the TFDA' s interpretation to be wrong. The 2018 amendment to the PAA inserted a chapter of patent-pharmaceutical linkage connecting the marketing approval of a new drug with the disclosure of related patent details. It also connects the marketing approval of a generic copy to its potential risks of patent infringement. When a pre-sale patent infringement dispute involving a generic copy has concluded, the TFDA then makes its decision of whether to grant approval to the generic copy so its market debut would be cleared of infringement risks.

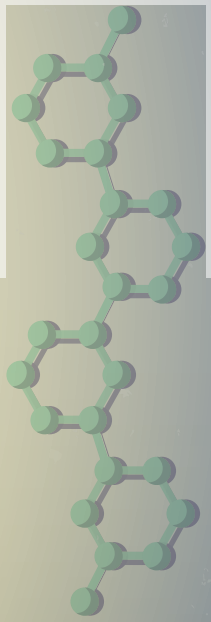
The legislation of a new chapter for patent linkage came much later than Article 7 of the PAA in time. In particular, Article 48-3 of the PAA in the patent linkage chapter stated that the patents which can be listed are those directing to the invention of any of "matters, compositions or formula, and pharmaceutical uses." The court analyzed that, if they are of identical meaning, the patent linkage chapter would only need to prescribe somewhat literally that: a new drug therein referred to is one as per the definition contained in Article 7. It would not bother instituting Article 48-3 additionally. In other words, different from Article 7, a new drug in the linkage system merely refers to one which has been newly granted marketing approval and whose related patent information is required to be registered if the patentee wishes to make use of the system. The patent linkage chapter is not intended to add any drug type-based requirements. The TFDA' s narrow interpretation restricting the availability of patent linkage to only category 1 drugs was wrong accordingly.

The court reinforced its reasoning with an additional illustration of the equity mechanism of the linkage system. The development of a new drug involves a huge amount of financial investment in comparison to that of a generic copy. A generic copy may later enter the market at a lower cost provided that the new drug' s experimental data are cited and the credentials of bioequivalence and safety are demonstrated. In order to compensate the new drug developer, a legal barrier has been placed in front of the generic maker, whereby they must remove any risk of infringement before the generic copy before entering the market. To impose this barrier, however, the new drug developer is required to publically declare the patents associating with the new drug beforehand. Given the interaction between the two competing parties, transparency of patent information becomes essential to the robust operation of the linkage system in order to create an equitable mechanism. Placing an undue limitation on the availability of the linkage system on the basis of different types of drugs could undermine the transparency of patent information and—in the worst cases—lead to more infringement actions taking place in the future, since the risks of patent disputes were not fully clarified earlier. Therefore, as the court stressed, any new drug is subject to the generic maker' s challenge as long as it has an associated patent for "matter, composition or formula, or pharmaceutical use." If the new drug developer lists such a patent on the Platform, it will be able to enjoy the benefits of equity as afforded by the linkage system.

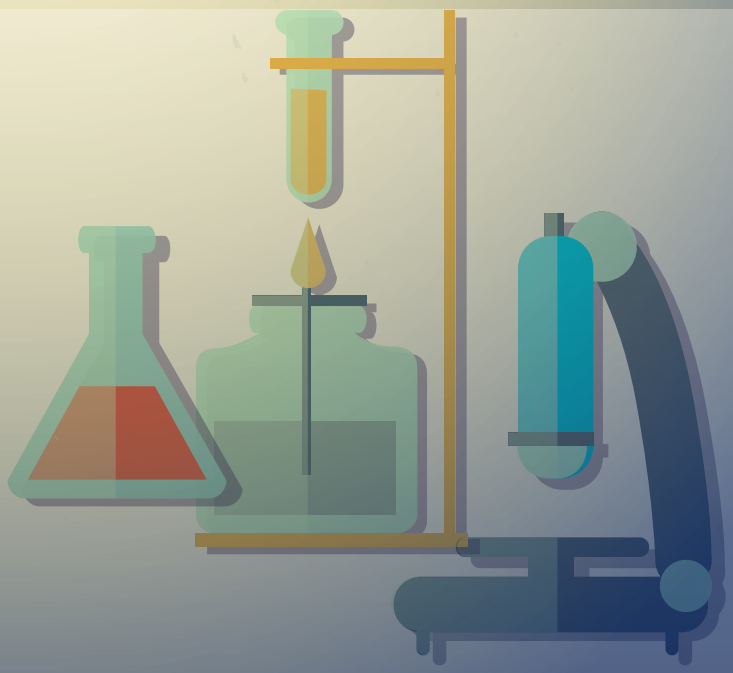
The court further analyzed the TFDA's decision to remove the listings, finding it to be a violation of the law. In Articles 48-3 to 48-20 of the PAA, the statutes provide a number of measures for a holder of new drug approval to update, modify or delete the listed patent(s). The statutes also provide measures for a third party to report a questionable listing, which would be forwarded to the holder of new drug approval so the holder may modify or delete the same accordingly. That is, none of the measures in the PAA empowered the TFDA to remove a listing by itself. The spontaneous removal

of patent listings by the TFDA constituted a premature intervention in a dispute between the new drug developer and the generic maker which did little to encourage an equitable mechanism intended to enhance transparency of patent information.

To briefly conclude, the TFDA' s discretionary decision to remove Novartis' s patent listings was wrong. The court ruled in favor of Novartis to restore its listings. This trial judgment remained appealable.



Despite this being merely a trial judgment and the case not being finalized, it is nevertheless of significance since it is the first time in which the court has delivered an opinion on admissible types of drugs. Before the judgment, the TFDA' s interpretation had been long criticized by some new drug owners for being unduly narrow to the extent that it hampered the accessibility of the system. Now, the trial court has opened the door to another large group of candidate drugs. We shall wait patiently to see how the case ultimately develops



IP Case Adjudication Act 2023

On January 12 of 2023, at the outset of the New Year, the IP Case Adjudication Act ("IPCAA") was given the largest overhaul since its enactment in 2007 and coming into effect in 2008. A total of 77 articles were changed: 36 were added and 41 revised. A collaborative effort from almost all sectors of the legal community—including court judges, attorney associations, criminal prosecutors, academics and other interested parties—was invested to accomplish this legislation. The scope of the IPCAA' s regulatory function following the amendment was significantly expanded, with an emphasis on enhancing the degree of trade secrets protection and on renovating a more efficient and up-to-date IP litigation system.

The essential aspects of the amendment are as follows.

For civil matters of trade secret infringement in the first instance, the IP and Commercial Court ("IPCC") has exclusive jurisdiction unless both parties in the dispute mutually agree on another forum.[1] The exclusive jurisdiction for trying general criminal offenses to trade secrets in the first instance, including those supplemented with civil actions, is vested to the first instance court of the IPCC instead of the district courts. Furthermore, in parallel to the newly amended National Security Act that introduces penalties against crimes of undermining significant trade secrets relating to national core technologies, the trials for

[1] Article 9, IP Case Adjudication Act

such offenses are under the jurisdiction of the second instance court of the IPCC, which is equivalent to a high court.[2] Moreover, the Supreme Court shall establish a dedicated tribunal or division for hearing a case as mentioned above that is appealed from the IPCC.[3]

The rights of access to dossier information and the de-identification measures to remove the use of code names and code signs in documents of litigation cases involving trade secrets have been introduced.[4]

Activities in breach of a secrecy protective order are subject to heavier penalties, especially for those against national core technologies. They become a type of indictable offense since such a breach undermines not only personal but national interests. The crime of breaching an order committed beyond the Taiwanese border is codified for the sake of offering a territorially comprehensive protection measure for deterring said crimes.[5]

On a separate note, victims are able to participate in cases of IP crimes in the hope of protecting the victim's interests more effectively.[6]

2 Mandatory representation and concentrated review

In order to safeguard the disputing parties' interests in IP civil matters and enhance the efficiency of case reviews in the court, several cases in particular require compulsory representation by an attorney-at-law. Examples are: litigation in the first instance with a claim for a higher amount; litigation

2 Article 54, Ibid.
3 Article 62, Ibid.
4 Articles 55 and 56, Ibid.
5 Article 72, Ibid.
6 Article 66, Ibid.

in the first instance involving patents, computer program copyrights and trade secrets; litigation in the second instance; both litigious and non-litigious cases in the third instance; and retrials of remanded cases.[7]

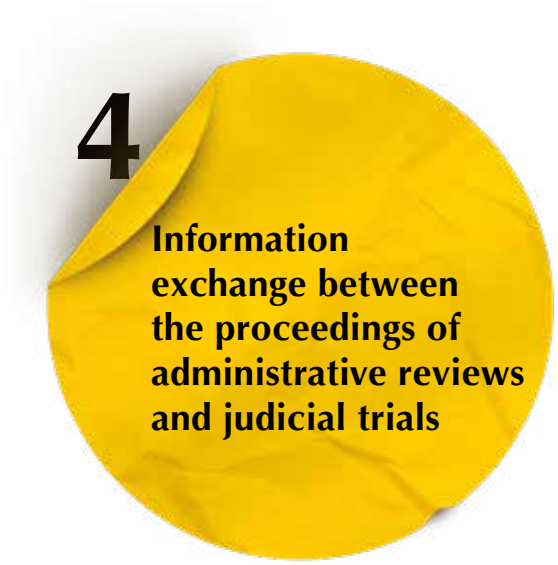
In compulsorily represented civil matters and other complicated cases, the court may formulate a trial schedule in conjunction with the disputing parties.[8] A trial schedule must, at the very least, have the dates or timeframe for identifying the issues of a case together with the means and dates or timeframe for investigating evidence. Additionally, it is recommended that a trial schedule includes the timeframe for parties to propose arguments against a particular issue identified. In the absence of a superior procedural interest, an argument presented outside the timeframe will not be given consideration.

An "inspection" system has been added as a means of evidence investigation.[9] In some cases involving emerging technologies, it happens that most of the evidence lies with one particular party or a third person. Sometimes even after ordering a party to present evidence or conducting an on-site investigation, the court would not able to ascertain the complete picture of the facts due to the one-sided possession of evidence. It is possible that the procedural principle of the equality of arms would be compromised. In order to

7 Article 10, Ibid.
8 Article 18, Ibid.
9 Articles 19, Ibid.

avoid or minimize the unfairly preferential advantage arising from such evidence bias, the court may, at a party' s request, select a neutral technical specialist who would be permitted to enter a defendant' s premises to collect evidential material during a pending litigation. This instrument of evidence collection will be especially beneficial in cases of infringement of software-related inventions; for example, at the site of the accused infringement' s occurrence, an inspector will be able to run the computer program using the same device in order to determine whether the steps of the claimed method are executed one after another. To give a second example, an inspector is able to enter a factory to observe with his or her own eyes the systematic operation of a large production line during the machinery' s normal manufacturing procedure in order to compare it fully with the invention process as claimed.

Similarly to the Commercial Case Adjudication Act, an "expert witness" is appointed to offer professional analysis and clarify the questions of fact.[10]



Under a bifurcated litigation system, an IP right can be determined as invalid, either in an invalidation/revocation proceeding as an administrative review or in a court proceeding in a judicial trial for infringement. When both administrative and judicial proceedings are instituted in parallel, however, there is a risk of ultimately reaching divergent and even conflicting judgments regarding the validity of the same IP

10 Article 28, Ibid.

right. In order to avoid a contradictory finding, when the defendant in an infringement suit raises a defense of invalidity or revocation or when a lawsuit is closed, the court shall notify the TIPO of the same. The TIPO shall then give a response as to whether it has a co-pending proceeding regarding the litigated IP right, even if a decision has already been made or the challenging party has withdrawn the proceeding. The update of the case status incorporates a transfer of document copies so that the recipient court or TIPO can save the unnecessary effort of working on identical sets of facts from the start. The establishment of an information exchange mechanism between the administrative and the judicial branches may help to expedite case reviews while also maintaining unity of opinions.[11]

When the defendant raises a defense of invalidation, the plaintiff may make a request to the TIPO for a post-grant amendment to narrow the claimed scope. According to the new IPCAA, the plaintiff is required to report the post-grant amendment request to the court so that the court may judge the case based on the amended scope of the patent.[12]

In addition, the possibility of a retrial is restricted. Let us suppose that the TIPO firstly makes a decision regarding invalidity or revocation. The court subsequently makes a judgment of infringement based on the TIPO' s decision. Later, however, the TIPO overturns and finalizes the case of invalidity or revocation with a reversed decision; unfortunately, the new decision declaring an inconsistent validity finding or scope of the right cannot be used to initiate a retrial in court.[13]

Transparency of case status is not only required between government branches. Additionally, for an IP right or trade secret that is exclusively licensed and then litigated, the licensor or the licensee who litigates the IP or trade secret bears an obligation to update the other party in the proceeding before the conclusion of the oral argument.[14]

11 Articles 41-42, Ibid.
12 Article 43, ibid.
13 Article 49, Ibid.
14 Article 45, Ibid.

The IPC Court is equipped with Technical Examination Officers ("TEO") to assist judges in investigating the technical issues in a given case. The court may order the TEO to produce an advisory report giving details of the technical analysis. When necessary, the court may publish the entirety or a section of the advisory report. Furthermore, a piece of technical knowledge acquired by the court solely as a result of the advisory report shall be made available for both parties' arguments before entering the court's deliberation.

Furthermore, the burden of proof for a patentee or computer software copyright holder is reduced when making an accusation. As the plaintiff, the owner of the right only needs to make a preliminary identification of the facts of the infringement; the burden then shifts to the defendant, who must refute the accusation with specific arguments in order to produce an effective denial.[15]

15 Article 35, Ibid.

In an effort to foster the development of "e-justice", the scope of utilization of technological equipment in court rooms has been enlarged. Furthermore, the original copy of a judgment can be served electronically.[16]

The legislative snubs

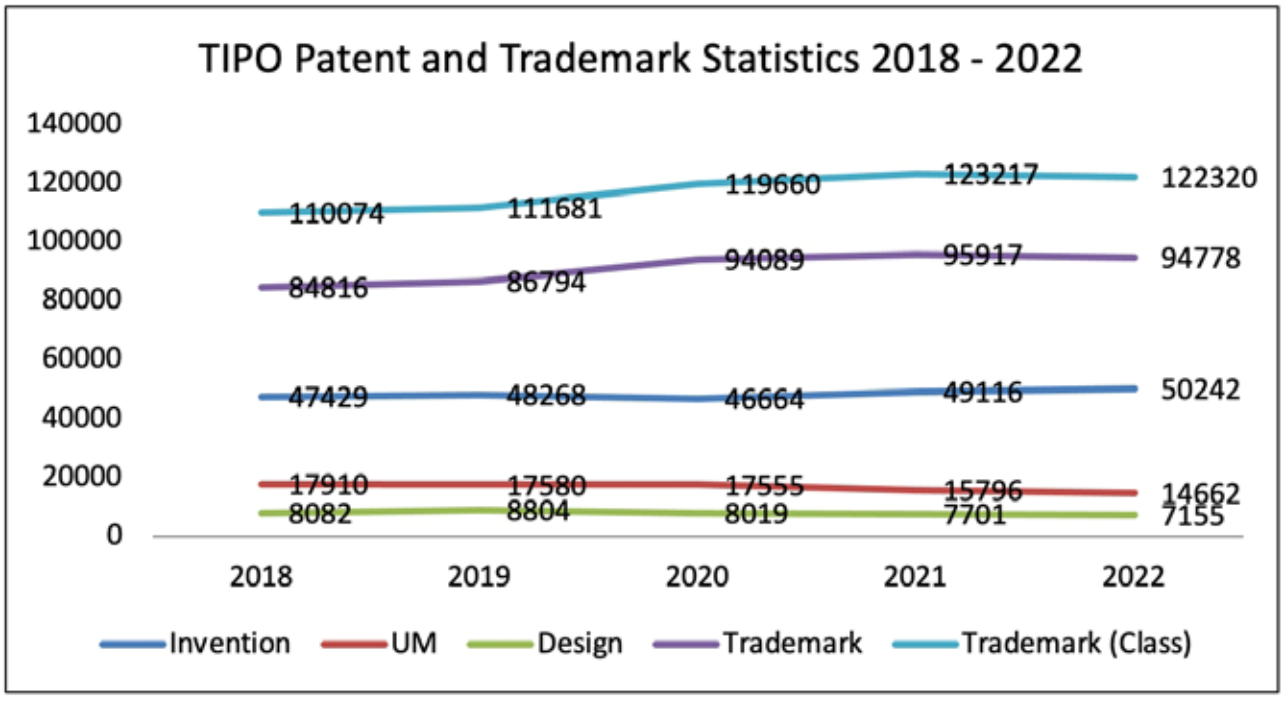
The passed amendment does not include all the proposed changes as they were in the draft bill of the amendment. The introduction of an amicus curiae system permitting individuals, societies or organizations to submit written advisory opinions was rejected. In the view of some dissenting parliament members, the amicus curiae system derived from the common law system has not yet been widely applied to all aspects of the law in Taiwan, yet except the constitutional procedures. There is some doubt as to whether it would be compatibly effective in IP cases or whether it would be tainted by arbitrary or—in worse cases—manipulated submissions.

A number of supplementary rules for the "adversary" system - the transition of remedial appeals for patent and trademark cases from administrative litigation procedures to civil litigation procedures - were likewise not included in the amendment.

16 Article 53, Ibid.

TIPO's Patent and Trademark Statistics 2022

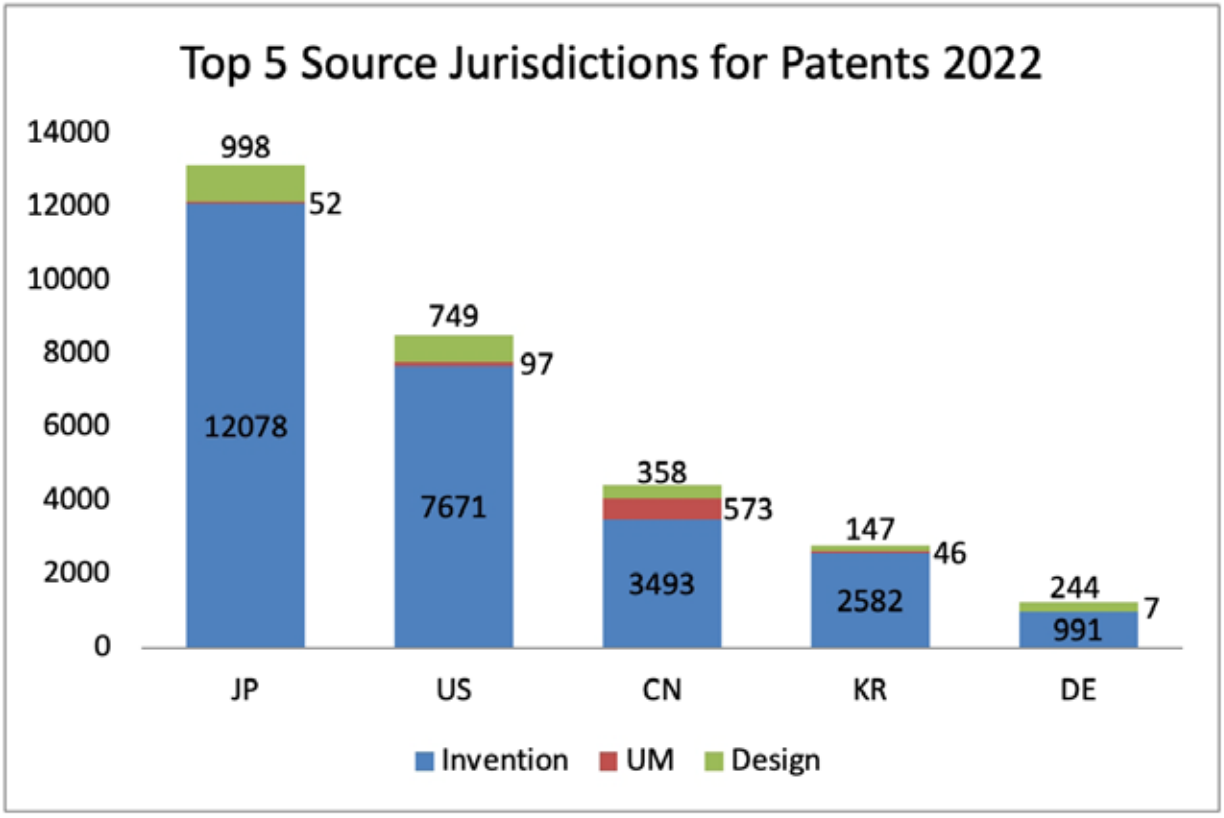
In 2022, a total of 72,059 patent applications were filed. Invention patents account for 50,242 of the applications, indicating a 2% annual growth to hit the peak for the last decade. In addition, 14,622 applications were filed for utility models and 7,155 were filed for designs, representing a 7% decrease for both in the past year. Furthermore, there had been 94,778 trademark applications filed for registration of 122,320 classes. As regards examination efficiency, the first office actions for invention patent examinations were issued 8.8 months after filing in average, while those for trademarks took approximately 5.2 months.



There was no significant change in the number of filings made by domestic applicants in 2022. Local applicants filed 19,400 invention patent applications, an insignificant total decrease of 0.8%, reflecting an equilibrium between an increase in filings by corporates and a decrease in filings by individuals and research institutes. There was a continued trend of fewer investments in utility models and designs, even though the rate of decrease was lower. Local applicants filed 13,669 utility model applications, down by 6%, and 3,411 design applications, down by 3%.

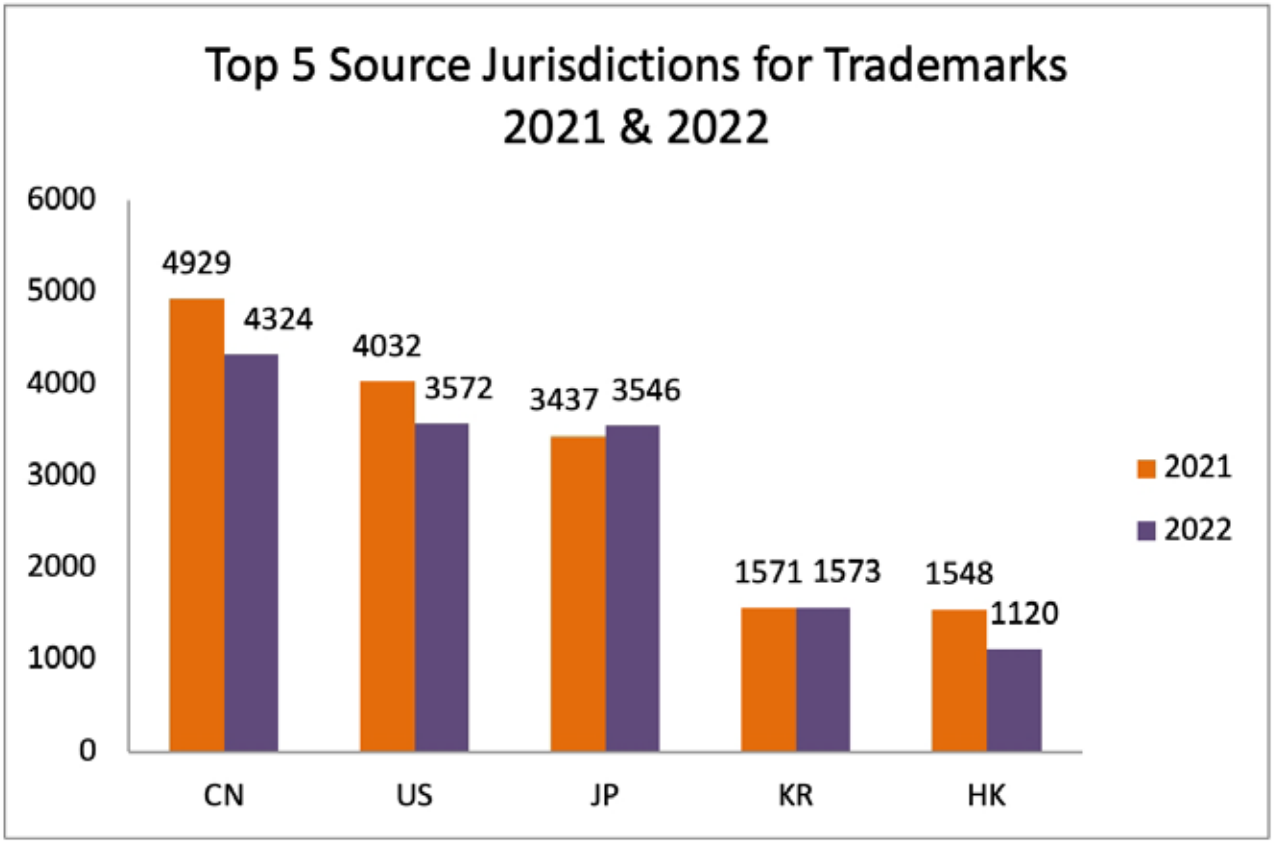
On the other hand, international applicants filed overwhelmingly for invention patents rather than utility models and designs. They filed 30,842 invention patent applications (an increase of 4%), whereas the numbers of utility models and designs were only 993 and 3,744, respectively.

The top filer—local or international—of invention patents was TSMC; indeed, TSMC has been in first place for seven straight years. Its number of filings (1,534) in 2022 was even greater than those of Applied Materials (847) and Qualcomm (763) put together. However, it is worth noting that Applied Materials was for the first time the leading international filer, followed by Qualcomm, Samsung Electronics (675), Tokyo Electron (487), Nitto Denko (445), Kioxia (436), META (293), Shin-Etsu Chemical (275), Fujifilm (270) and DISCO (266). Looking at the top-ten list, it is clearly evident that the majority of influential foreign applicants were engaged in or related to the fabrication and design of chips. The list also reflects the fact of Taiwan' s importance in the global supply chain for the semiconductor industry.



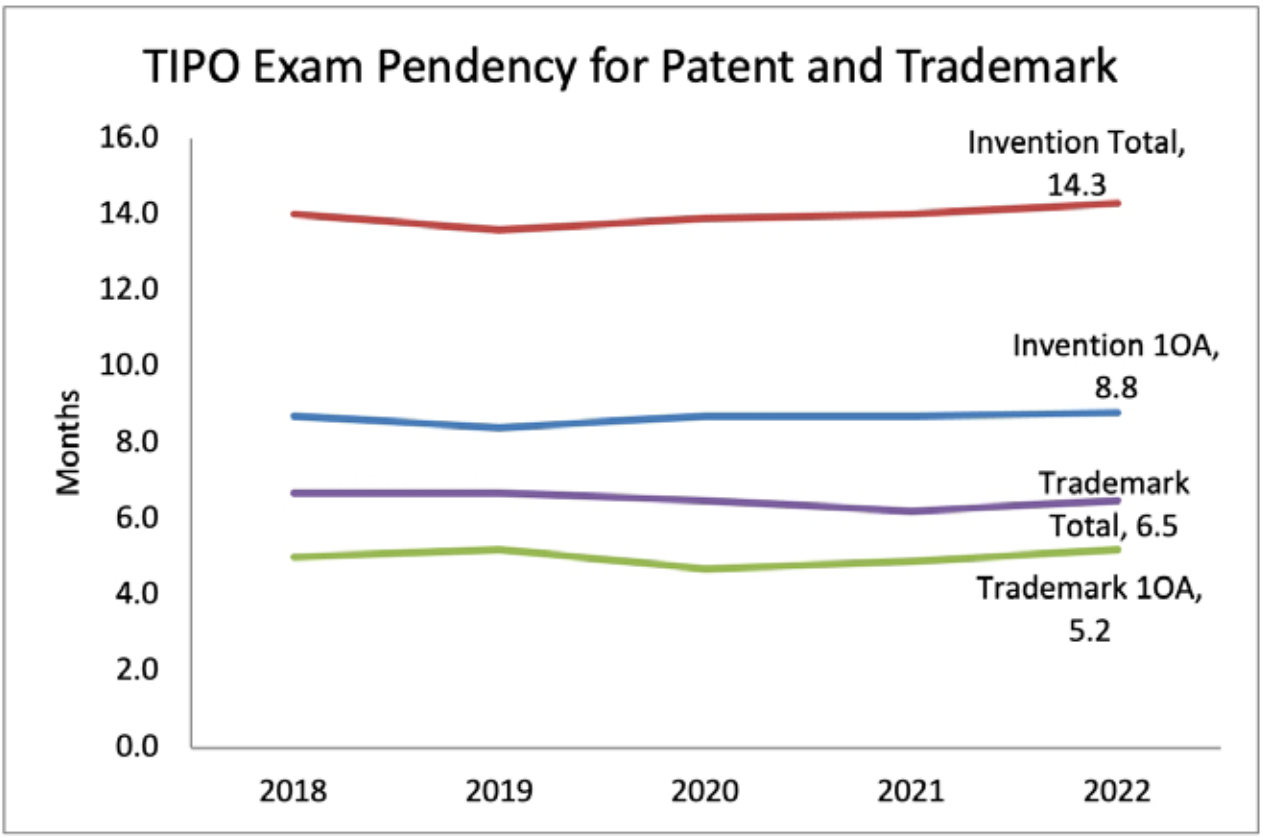
In terms of the source jurisdictions of patent applications, the top five are Japan (-1%), USA (7%), Mainland China (4%), South Korea (16%) and Germany (-4%). Japan was the largest foreign source of both incoming invention and design patents, whereas applicants from Mainland China filed the most utility models of all jurisdictions.

The trends for trademarks remained positive. The number of applications filed—94,778 for 122,320 classes—was the second highest in the past 20 years. Local applicants filed 74,326 applications (up by 1%) in comparison to a total of 20,452 applications filed by international applicants (down by 9%). As regards the source jurisdictions, the top five were Mainland China (-12%), USA (-11%), Japan (+3%), South Korea (+0.1%) and Hong Kong (-28%).



Uni-President (567 classes; food) was the number one filer domestically, while Taiwan Family Mart (180 classes; retail grocery), King Car (147 classes; food) and Wowprime (138; restaurant) come after in order. The most popular classes were Class 35 (advertising, business management, etc.), Class 30 (coffee, tea and pastries, etc.) and Class 43 (restaurants, lodging, etc.). Notably, due to the pandemic, people have spent a great deal of time indoors, stimulating a demand for video gaming. Notably, Class 41 (education, entertainment, etc.) and Class 9 (computers, technology products, etc.) have grown by 7.5% and 2.0%, respectively.

Examination efficiency saw a similar upward trend, according to the data released for 2022. For invention patents, the first office action pendency was 8.8 months, while the period from filing to case closed was 14.3 months. For trademarks, on the other hand, first office actions took 5.2 months on average, while the period from filing to case closed was approximately 6.5 months.



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