

## INTELLECTUAL PROPERTY: TAIWAN

# Revisiting Patent Rights In Taiwan: 2004

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DEVELOPING AN EFFECTIVE GLOBAL PATENT strategy is increasingly important for many companies and inventors, especially in high technology areas such as semiconductor-based electronics, biotechnology, and nanotechnology. The manufacture and sale of many products and services are now carried out across multiple countries. The increased globalization of business practices has raised the value of a global patent portfolio and its importance to a company's business goals and bottom line [1]. Coinciding with the globalization of business and trade has been an increase in the scope and level of patent protection available in many countries and regions. These developments have forced many technology decision-makers to re-evaluate patent filing priorities and widen patent-filing strategies.

Taiwan is illustrative of the marked changes in global patent practice driving entities outside Taiwan to revisit their international filing strategy. Taiwan recently joined the World Trade Organization (WTO) and has begun substantive changes in its patent law to comply with the requirements of the Trade-Related Aspects of Intellectual Property (TRIPs) under the General Agreement on Tariffs and Trade (GATT). In this article, we look at current Taiwanese patent law and practice including changes made in 2001 and 2002. We also discuss more recent changes implemented on July 1, 2004. These changes in some ways further harmonize Taiwanese patent practice with that of other national patent offices that may be more familiar to global technology decision makers. The changes also make it easier for foreign entities to file patents in Taiwan and comply with formal requirements.

## TAIWAN PATENT TRENDS

Despite a population of only 23 million, the economy of Taiwan occupies an important position in the global high technology market [2]. In the semiconductor industry, corporations such as United Microelectronics and Taiwan Semiconductor Manufacturing Company (TSMC) are regarded among the best managed companies in Asia [3]. (TSMC is the largest semiconductor foundry in the world [4, 5]). More recently, Taiwan has been recognized for its leadership in the Asian biotechnology industry [6].

Concurrent with the emergence of high technology industries and accession to the WTO has been a rise in the number of patent applications filed in Taiwan. In 1993, 41,185 patent applications were filed in the Taiwan Intellectual Property Office; in 2002, 61,402 were filed [7]. The proportion of patent applications filed in Taiwan by foreign applicants, however, fell. In 1993, foreign applicants accounted for 69 percent of the total number of patent applications filed; by 2002,

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this percentage had dropped to 59 percent [8]. Different reasons may account for this drop in foreign-originated filings, including a perception of lax enforcement of patent rights in Taiwan in the 1990s and the absence of Taiwan from the Paris Convention Treaty, which provides a popular framework for international patent filings in member states.

Recent initiatives by the Taiwanese government suggest that the country is increasing its enforcement of intellectual property rights. For example, Taiwan's share of products seized by the United States for violation of intellectual property rights (primarily copyrights) has fallen dramatically. Taiwanese goods represented over 40 percent of the value of seized goods in FY 1999, but accounted for less than one percent during the first half of FY 2003 [9]. Indeed, the Office of the United States Trade Representative (USTR), in its 2003 Special 301 Report, noted that "Taiwan declared 2002 an 'Action Year for IPR [Intellectual Property Rights]'" and that "in 2003 Taiwan took some concrete, positive steps to bolster its enforcement capability, including expanding an interagency IPR task force to 220 people, and opening warehouses to store seized pirated goods and manufacturing equipment [10]." Because of its crackdown on counterfeit products, Taiwan had hoped that it would be removed from the U.S. "Special 301" Watch List [11, 12]. However, these efforts have not yet reduced piracy and counterfeiting to levels acceptable to the USTR [13]. Nevertheless, in light of these developments, it is worthwhile for organizations to reconsider the importance of securing patent rights in Taiwan, and to review the procedural requirements for doing so.

## TAIWAN PATENT PRACTICE

The Taiwan Intellectual Property Office (TIPO) is charged with examining patent applications. Three kinds of patents may be secured: patents of invention, utility model patents, and design patents. Patents

of invention provide the strongest measure of protection over a broad range of subject matter. Eligible subject matter includes apparatus, methods, chemical and pharmaceutical products, new uses of products, medical uses of a substance and treatments for diseases, microbiological processes and microorganisms. Certain computer-software related inventions, including computer program products and computer-related business methods, may also be eligible [14]. Integrated circuit patterns are not eligible for patent protection, but are addressed by the Protection Law for Semiconductor Layout.

Taiwan appears to be relaxing its standard for invention. Currently, an invention is a "highly advanced creation of technical ideas by which the laws of nature are utilized." However, under the new patent law that took effect July 1, 2004, the definition of an invention changed so that it no longer has to be "highly advanced." This suggests that patents of invention may be more easily obtained. The patent term for a patent of invention in Taiwan is 20 years from the earliest filing date. A patent term extension of up to five years may be available for pharmaceutical or agricultural chemical inventions that require a lengthy government approval process.

Taiwan Utility Model patents cover "[a] creation or an improvement in respect of the form, construction or assembly of any article [15]." As of July 1, 2004, the term for a utility model patent was reduced from 12 years to 10 years. Design patents are more narrow and are directed to the appearance or "eye-appeal" of an article. The patent term for a design patent is 12 years.

Certain formalities must be met to secure a filing date. A patent invention application must include a written description, claims, and informal drawings (if needed). The application must be submitted with a patent application form. As of July 1, 2004, it is no longer necessary to submit the application fee, the oath signed by the inventor(s), and the deed of assignment (if the owner is a legal person (e.g., a corporation)) in order to secure a filing date. The patent application can be filed in English; however, a Chinese translation of the patent application should be submitted within three months of the filing date. For additional fees, this period can be extended to six months from the filing date. A fee is also required to record deeds of assignment. Formal drawings and a power of attorney should also be submitted within three months of the filing date. Again, for additional fees, this period can be extended to six months from the filing date. For microbiological inventions, deposit requirements have been relaxed. A patent applicant may state that a microorganism has been deposited at a recognized foreign depository institute at the time of filing. A domestic deposit can then be made in Taiwan and supporting evidentiary documents filed within three months of the filing date.

Multinational treaties and bilateral agreements often allow an

applicant to file a patent application first in one country and then in other countries with a claim to the benefit of the date in which the patent application was filed in the first country. This practice, known as making a claim of priority, allows an applicant to spread over time the work and costs associated with filing a patent application in multiple countries. In Taiwan, a claim of priority to an earlier patent application must be made at the time of filing in Taiwan and can only be made to a patent application filed less than a year earlier in a reciprocating country, such as the United States, that has an agreement with Taiwan to recognize priority claim rights.

Taiwan is essentially an absolute novelty patent regime. A patent cannot be obtained if, prior to the filing date, the invention is published or used publicly anywhere in the world. Exceptions are allowed in the case where the public disclosure was for research or experimentation or involved displaying the invention at an exhibition officially approved by the Taiwanese government. In these situations, the patent application must be filed within six months of the date of public disclosure. As of July 1, 2004, an additional exception is allowed for an inadvertent public disclosure. It is expected that this exception will be narrowly applied to situations such as when, unknown to a professor, a student publishes a document disclosing the professor's invention.

Patent applications are examined in order of priority. Earlier-filed Taiwanese patent applications automatically proceed to substantive examination within three years of filing. For those patent applications filed on or after October 26, 2002, a request for examination needs to be filed. Further, an applicant can request early examination if an infringer has been identified. Applications filed now are also made public (or "laid-open") about 18 months from the filing or the earliest priority date. Once examination begins, an office action may be issued by the TIPO. The office action is a document in which the examiner states objections to the application. An applicant has 60 days to respond. Afterwards, the examiner may issue a decision that approves or rejects the patent application. In any case, if a divisional patent application (an application with claims directed to a second invention supported by the written description) is desired, it must be filed before a second office action is sent by the TIPO.

If the patent application is approved, the applicant has three months to pay a sealing fee and first annuity. Shortly thereafter the patent is published. Annuities then must be paid each year to keep the Taiwanese patent in force. The amount of the annuity is the same for each year of a five-year period and then doubles. The three-month opposition period between allowance and grant was abolished on July 1, 2004. (During the opposition period, a challenger was able to file a notice of opposition providing reasons why the allowed patent application does not comply with the requirements of Taiwanese patent law).

If the patent application is rejected in a second office action, the applicant can apply for a re-examination within 60 days. If the re-examination is not successful, the applicant has 30 days to appeal. Appeals are decided by an appeals board at the TIPO. If the appeal is unsuccessful, the applicant can file an administration suit within 60 days of the decision of the appeal. Administration suits are decided by a judge of the High Administration Court.

Once a Taiwan patent is granted, a patent owner is entitled to a number of legal remedies. These remedies include injunctions, dam-

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ages and seizures. A civil action can be filed within two years of gaining knowledge of infringement. After that time the case is barred. Infringing actions include making, using, selling or importing the patented invention. As of July 1, 2004, making an offer to sell the patented invention is also considered an act of infringement. Marking requirements have been softened. In the past, a patented product (or its packaging) had to be duly marked to support a claim for damages from an infringer [16]. Now, even in the absence of marking, a patentee is allowed to prove the actual or demonstrable intention of an infringer upon claiming damages.

There is no requirement to "work" a Taiwanese invention to maintain patent rights. However, the TIPO can grant a compulsory license under certain circumstances. Recent changes to comply with TRIPs have narrowed the range of cases potentially subject to a compulsory license. For example, conditions have been placed to limit grants of compulsory licenses for semiconductor-related patents only for non-commercial uses to enhance public interest. Criminal sanctions are no longer available for patent infringement, but damages for willful infringement can be trebled.

## SUMMARY

Companies must make strategic choices regarding countries in which to pursue patent protection. Among the factors often considered in making an international filing decision are the business value of an international patent to a company, the ability of a company to realize a return on its investment, the availability of patent protection for a particular subject matter, timeliness of examination, and the ability to obtain an effective legal remedy in a particular country. Concerns about enforcement of patent rights in Taiwan persist. Recent developments and commitments by Taiwan to protecting patents and relaxing filing requirements, however, are changing the calculus for many high technology companies. For many, securing a patent in Taiwan may be worth revisiting.

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## REFERENCES

1. Patent protection can be one of the strongest forms of intellectual property protection. A patent can provide a company with an exclusive right to make or sell its invention. This can help a company preserve a first-entry-into-market position, credential a technology for investors or potential buyers, and facilitate freedom-to-operate by serving as a deterrent to patent lawsuits by competitors. Patents can enhance opportunities for cross-licensing and technology transfer, and increase business organization options, such as, allowing creation of intellectual property holding companies or furthering a spin-off of a new corporate division. A patent right is territorial. A patent owner can only enforce its patent within the borders of the country that issued the patent. Hence a global patent portfolio is increasingly needed.
2. See, CIA - The World Factbook - Taiwan, at <http://www.cia.gov/cia/publications/factbook/geos/tw.html>.
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4. "SSMC Commits US \$250 Million to Expand Capacity in 2004," at <http://www.tsmc.com/tsmcdotcom/PRListingNewsAction.do?action=detail&LANG=E&newsid=1486&newsdate=2004/01/20>.
5. Furthermore, the manufacturing processes of TSMC are, arguably, de facto standards for the semiconductor industry. Forward-looking MEMS and nanotechnology concerns, which envision the possibility of leveraging such processes, are among the entities filing for patents in Taiwan.
6. "Biotechnology Poised to be Taiwan's Next High-tech Success Story," at <http://www.biotecheast.com>.
7. 2002 Yearbook of Intellectual Property in R.O.C. (May 2003), <http://www.saint-island.com.tw/si-homee002.asp>.
8. Id.
9. "U.S. to Take Taiwan Off 'Special 301' List, Official Says," Taipei Times Nov. 9, 2003, p. 11, available at <http://taipeitimes.com/News/biz/archives/2003/11/09/2003075218>.
10. United States Trade Representative 2003 Special 301 Report Priority Watch List, at <http://www.ustr.gov/reports/2003/special301-pwl.htm#taiwan>.
11. "U.S. to Take Taiwan Off 'Special 301' List, Official Says," supra note 10.
12. The Priority Watch list is prepared by the United States Trade Representative on an annual basis to identify countries with serious intellectual property problems that warrant "increased bilateral attention." See <http://www.usembassyjakarta.org/econ/301review03.html>.
13. See "United States Trade Representative 2003 Special 301 Report Priority Watch List," supra note 11.
14. TIPO's Manual of Patent Examining Procedure since 2000 has included guidelines for examination of computer-software related inventions.
15. "U.S. to take Taiwan off 'Special 301' list, official says," supra note 10, at 28.
16. Manual for the Handling of Applications for Patents, Designs and Trademarks Throughout the World: Taiwan 12 (Manual Industrial Property BV ed., Kluwer Law International 1936 (Supp. No. 72 Jan. 1995)).

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