

TAIWAN

Taiwan's Revised Trademark Law to Take Effect on July 1st, 2012

Taiwan's Revised Trademark Law will take effect on July 1st, 2012. The new revisions include protection for non-traditional marks, including scent, and motion marks. The revised trademark law includes the following major changes:

1. The amendment provides a more open general definition allowing protection of types of marks not yet created and will include motion marks.
2. The amendment removes the minimum statutory damages of 500 times the price of the infringed good.
3. The amendment allows reinstatement of rights for registration fees not paid within the time limit.
4. The TIPO will more stringently examine the requests for acceptance of coexistence agreements. For related companies, trademarks or goods/services cannot be identical.
5. There will be no more two-installment payment option for the registration fee.
6. The amendment removes the provision that using a registered trademark as the company name, business name, or domain name is deemed trademark infringement.
7. The amendment changes the dilution standards to "acts likely to dilute" from the old standard which required proof of dilution.
8. The amendment increases the protection for Taiwan Geographical Indication, including stipulating criminal liability for contributory infringement of certification marks and geographical indications.



Taiwan's Revised Patent Law Approved

Taiwan's new Amended Patent Law has been approved, but no date has yet been set for promulgation. It is expected that it will be set for later in 2012. Among the major changes to be implemented is adoption of a grace period immunizing pre-application publication, a reinstatement of rights procedure for unintentional failure to claim priority or pay annuities, and a parallel application procedure in cases where the degree of non-obviousness is not clear. In addition, there are clarifications to the compulsory licensing rules, adoption of a partial invalidation system, and clarification of the regulatory approval extension rules.

The new law will grant inventors a grace period of six months for printed publication of the invention prior to application for a patent. This will allow protection of a greater number of cutting-edge inventions which previously lost novelty upon publication of academic discoveries and developments. However, there is no change to the rule that disclosure, for example, in the form of a demonstration, trade show exhibit, or sales pitch destroys novelty.

The new law will create a Reinstatement of Rights application procedure to grant relief to patent holders who unintentionally fail to claim priority rights at the time of filing their Taiwan patent application, or who fail to pay patent annuities on time.

The new law will also eliminate the necessity for patent holders to decide prior to application whether their application will have a sufficient degree of the inventive step or non-obviousness to qualify as a New Invention or only as a Utility Model. Patent holders will be allowed to apply for both types of patent on the same day for the same invention, and only required to select which type of patent after receiving approval of the application. The notice of approval will allow the patent holder to determine the appropriate type of patent. The patent holder may wish to obtain the longer term of an invention patent, or pay the lower annuities of a utility model.

Furthermore, TIPO will begin to accept partial invalidation requests, and be allowed to issue partial invalidations against registered patents. There is no longer a need for an all or nothing approach. This discretion will improve the quality of the existing patent register, and encourage more monitoring by third parties. In addition, the TIPO will no longer have authority to file *ex officio* invalidations. This last change is not practically significant, as the TIPO has filed very few such actions in the past.

Some of the revisions clarify or formalize prior TIPO practice, such as compulsory licensing rules that allow the TIPO to determine the amount of compensation and reasonable commercial licensing terms. In addition, the law expressly permits compulsory licensing for the purpose of exporting to Least Developed Nations for public health crises. This amendment reflects changes to TRIPs resulting from the Doha Rounds in late 2001 after the US anthrax scare and resulting CIPRO shortage. The TIPO had previously granted a compulsory license to manufacture CIPRO, but the public health crisis did not develop.

Finally, the amended law will expressly clarify that holders of pharmaceutical patents may apply for only one extension of term based on a product release delay due to a required regulatory approval process in Taiwan or another country.

智慧財產權保護

MAINLAND CHINA

New Draft of Copyright Law

The National Copyright Administration released a draft of a proposed amendment to the Copyright Law. The new draft mostly consists of minor revisions related to the Internet, new provisions on administrative enforcement, and elevation of provisions previously in the Implementing Regulations. There is no timetable yet set for promulgation of the draft, as this is a preliminary version seeking comment from interested parties.

Among the particularly Chinese provisions that continue in the new draft are an explicit provision that copyright holders may not violate the Chinese constitution, or harm the public interest, and that the state has the right to manage dissemination of works. (Article 5.) This article is a statement of fact about state censorship that limits copyright holders' actions at the outset. The state controls publishing and distribution of works in China, including movies, books, magazines, music.

The default position in the work for hire issue will still be that the natural person is the author in the absence of any written agreement, but where non-natural persons (such as corporate employers) invest in and organize the creation of the work, take liability for any defects in the work, publish the work in its name, and direct the creation of the work, then the non-natural person will be deemed the author. (Article 12, and Article 22.)

The law also elevates from the Implementing regulations, the provision that the heirs of an author or artist's moral rights will have the Right of Pursuit. The heirs will be entitled to a share of the profits for all

sales or royalties, and there will be no application of the doctrine of exhaustion (or right of first sale), except that purchasers of an original work of visual art will have the right to display the work without any interference by the copyright owner. (Article 11:13, and Article 19.) In addition, creators may sell or transfer original unpublished works, retaining the copyright, but not the right to prohibit display of such works. (Article 19.) For works remaining unpublished at the time of the death of the artist or author without heirs, the purchaser of the original work will have the right to publish the work. (Article 21.)

Laura W. Young and Sophia Lin will be in Washington, D.C. at the INTA. Please contact us if you would like to meet with them.

Compulsory license provisions have been expanded. Audio producers will receive a compulsory license in audio works after only three months from the first publication have elapsed. (Article 46.) Compulsory licenses are also extended to literary works of Chinese, but not foreign, persons. (Article 45.) Newspaper or periodical publishers can reserve their rights by publication of a notice that reprints will not be allowed. (Article 45.) Entities wishing to take advantage of a compulsory license must file a notice of license prior to publication of a work, and must pay royalties within one month of use to the State Copyright Office, which should maintain an online list of all filed notices of compulsory license. (Article 48.) Whether this system will succeed is unclear. It is designed similarly to that of Taiwan in the late 1990's, but that system was abandoned as ineffective and no compulsory licensing fees were ever distributed to copyright holders. The China amendment does not require that foreign copyright holders must register their works and contact information with the State Copyright Office, so it is unlikely that even if royalties were collected, that they would ever be remitted to a foreign copyright holder.

The new draft provides for anti-circumvention measures previously contained in other regulations. (Articles 64-67.) It also provides for immunity for Internet Service Providers as long as they simply provide technological services such as storage, search or linking, to network users. However, where an ISP is notified that its users are using the services to commit infringements, and the ISP fails to take timely action, the ISP should bear joint responsibility with the infringing network user. (Article 69.)

The draft again provides for civil damages to copyright holders based on the actual damages they suffer, or when difficult to calculate, based on the actual income of the infringer. Since in fact both are difficult to prove in court, the draft fortunately also provides for statutory damages, of up to RMB1,000,000 (approx. US\$160,000). However, maximum damages are rarely granted. Furthermore, in order to obtain an injunction against the infringement, or confiscate unlawful income or destroy infringing reproductions, a plaintiff must show that the infringing activities destroy Socialist market order. It is unclear whether courts will be willing to make this finding on a regular basis, as proving harm to the entire marketplace is a difficult standard to meet. In addition, the draft continues the requirement that in order to obtain confiscation of the tools and equipment primarily used for infringement there must be a finding that the circumstances are grave. By definition, ordinary cases are not grave. Thus in ordinary cases of infringement, even where the equipment is primarily used for infringement, confiscation of tools and equipment will not be possible. (Article 73.) However, the draft provides more details on administrative agencies' authority to sequester infringing products. (Article 75.)

The draft also continues the shift of the burden of proof to accused distributors of infringing content. It imposes civil or administrative liability on distributors who cannot prove they have a lawful source, and even on Internet users, renters, and "creators" who cannot prove that their reproduction activities have authorization. (Article 77.)

China's CIETAC Arbitration Commission Issues Revised Rules

China's Committee for International Economic and Trade Arbitration Commission issued new rules effective on May 1, 2012. The rules will affect all arbitrations commencing on or after May 1, 2012, at CIETAC installations in Beijing, Shanghai, Shenzhen, Chongqing, Tianjin. CIETAC is now one of the busiest arbitration institutions in world trade. The rules make few significant changes to procedure of foreign-related arbitration at CIETAC. One is that the new rules grant authority to CIETAC tribunals to order interim measures. In theory such measures should include preliminary seizure of evidence for preservation purposes, or preliminary seizure of assets from a defendant. In practice, it is likely that CIETAC tribunals will be very reluctant to use this authority except in very special cases.

Another change is that where parties have no overlapping candidates for Presiding Arbitrator, the Chairman of CIETAC is authorized to select any candidate, even if it is one nominated by only one party. The Chairman is no longer required to select a Presiding Arbitrator nominated by neither party. In addition, where the arbitration involves 3 or more parties, and their candidates for the arbitration panel do not overlap, the Chairman may select all 3 members of the arbitration tribunal. Thus it is now possible that a foreign party will end up with a panel in which it selected no arbitrators.

The major procedures of CIETAC will remain unchanged: arbitrations should be completed within 6 months; arbitrations will be conducted in Chinese and in the inquisition style unless the parties agree to adopt the common-law style of lawyer-led evidence presentation. Furthermore, arbitrators will continue to attempt to mediate a dispute before concluding the arbitration proceedings.

China: Supreme People's Procuratorate Issues Provisions on Public Review Procedures for Criminal Appellate Cases

知识产 权保护

The Supreme People's Procuratorate (SPP) has recently issued the "Provisions on Public Review Procedures for Criminal Appellate Cases by the People's Procuratorate". The Provisions clarify that public review of criminal appellate cases by the People's Procuratorate includes public hearings, public showing of evidence, public argumentation, and public responses in other forms. China's Criminal Code has long stated that trials shall be open to public review, but as a practical matter, most judges close their court and restrict admission to the parties and their lawyers.

The Provisions clarify the basis for keeping a trial closed to the public. For criminal appellate cases with considerable controversy, or criminal appellate cases with comparatively great impact on society, the People's Procuratorate may allow public unless: 1) the case involves state secrets, commercial secrets, or matters of personal privacy; 2) the claimant is reluctant to go under public review; 3) the case involves juvenile delinquency; 4) other circumstances not suitable for public review.

In addition, the Provisions state that they ensure that the People's Procuratorate conducts public review activities in accordance with specific circumstances, and invites impartial entities, such as National People's Congress members, members of the Chinese People's Political Consultative Conference, the people's supervisors and prosecutors, the people's arbitrators, members of the industry of one of the parties, leaders of the local community, the claimant's village committee, experts, scholars, and other people from all walks of life in special circumstances, to attend the proceedings.

Updated Foreign Investment Industrial Guidance Catalogue Released

The National Development and Reform Commission (NDRC) and the Ministry of Commerce (MOFCOM) have again jointly released an update to the Foreign Investment Industrial Guidance Catalogue.

The following adjustments and changes have been made in the current revision of the Catalogue:

- 1) The new Catalogue increases industries encouraged for investment, and decreases the number of limited and prohibited items. The ratio limit on foreign capital in some areas has been abolished, and the new Catalogue cuts 11 items with such a ratio limit, as compared to the previous Catalogue.
- 2) The Catalogue continues to promote foreign investment in high-end industries as the key investment field. Foreign investment is also promoted to transform and upgrade traditional industries by means of new technology, techniques, materials, and equipment.
- 3) The new Catalogue encourages foreign capital to invest in emerging strategic industries such as energy-saving, environmental protection, new generation information technology, biological and high-end equipment manufacturing, new energy, new material, and new energy automobile and recycling economic industries, disposal of worn-out electrical and electronic appliances, machinery and equipment and recycling and disposal of batteries and key components and accessories of new-energy automobiles, and the next generation Internet system device based on Internet Protocol version 6.
- 4) The new Catalogue encourages foreign capital to invest in the modern service industry and adds 9 service items that are encouraged for foreign investment. However, industries now removed from the list of encouraged fields include automobile manufacturing, poly-silicon, and chemical coatings processing.

China's Insurance Regulatory Commission Adjusts Part of the Administrative Licensing Matters of Foreign-Invested Insurance Companies

China's Insurance Regulatory Commission has issued a "Circular on Issues Related to the Adjustment of Licensing Matters for Foreign-Invested Insurance Companies" (the Circular). The Circular adjusts some administrative matters in order to improve the efficiency of supervising foreign-invested insurance companies. The following administrative licensing matters will be handled by relevant insurance regulatory departments:

- 1) The examination and approval of a change in the place of business of a branch of a foreign-invested insurance company;
- 2) The examination and approval of the preparation for establishment of a sub-branch (excluding the branch) of a foreign-invested insurance company;
- 3) The approval of the business opening of a sub-branch (excluding the branch) of a foreign-invested insurance company;
- 4) The approval of the qualification of the senior managerial staff of a sub-branch (excluding the branch) of a foreign-invested insurance company.

Urgency of Recording Trademark Assignments: Apple, Inc. vs. Proview International Holdings Ltd.

Foreign companies are increasingly finding themselves on the receiving end of enforcement actions brought by Chinese companies claiming patent or trademark infringement. This is clearly seen in the case of Apple, Inc. where Proview International Holdings Ltd., a Shenzhen-based company, claims that it owns the iPad trademark in China.

According to reports from the courts, Proview registered iPad as a trademark in China in 2001 for its own computer screen business. Apple's UK subsidiary claims it paid Proview's Taiwan parent company \$55,000 for the iPad trademarks in several countries. However the purchase in China was never effected by filing a trademark assignment in China. Thus, Proview is still the registered owner of the trademarks in China. Proview has sought an injunction in China to block Apple from selling or exporting iPads. Two Chinese courts in Shenzhen and Huizhou have ruled in Proview's favor in terms of the trademark issue, but the battle in multiple courts is not yet completed.

While the Proview case appears not to be a squatter situation, it nevertheless reminds us that registration and recordal of assignment are key for protection. Because trademark rights in China are established by the "first to file" rule, and a cancellation on the grounds of a famous mark per Paris 6*bis* requires proof

Newsletter Spring 2012

that a mark is famous in China, businesses wishing to establish trademark rights should file for registration as soon as possible in China. Many Chinese individuals manage to register a mark before it has become famous in China. Companies wishing to grab back a registration from a squatter must be prepared to provide evidence that their mark was famous in China prior to the squatter's registration, or that there is an actual prior relationship to support the claim of bad faith. Trademarks in China have worldwide implications because Chinese manufacturers now have established export channels to the entire world.