

Taiwan

Draft act looks set to rewrite the patent landscape

The Taiwan Intellectual Property Office (TIPO) has proposed a wide range of amendments to the Patent Act, even though the current act has been in force only since July 1 2004. In February and March 2009, TIPO held a series of public hearings with practitioners and various interested groups, and eventually published a new draft Patent Act on August 3 2009. The draft act would change all but eight of the current act's 138 articles. TIPO argues that the proposed amendments will improve Taiwan's patent practice and facilitate future industrial developments.

One of the draft act's main objectives is to improve patent prosecution work. In addition, it introduces not only necessary updates to the system, but also mechanisms designed to resolve many of the issues raised by industry and practitioners regarding substantive rights for design patents, infringement and pharmaceutical patents.

Procedural improvements

For many applicants, the complex and onerous procedural work is one of the biggest obstacles in international patent prosecution. In order to facilitate prosecution work, TIPO is trying to enhance procedural flexibility and to reduce procedural negligence. This section of the draft act has been praised by practitioners during the public hearings. The following is a brief summary and introduction of the key procedural improvements.

Time limits for amendments

Under the current Patent Act, applicants may amend their specification and claims within 15 months of filing. After this time, applicants may make amendments only in limited circumstances (eg, upon a request for substantial examination or in response to an official action). As the applicant has 36 months to decide whether to request a substantive examination for its application, in practice, most applications have still not reached the substantive examination phase after 15 months. The draft act would replace this 15-month

limitation with a system of official notification; the applicant would be clearly notified by TIPO of the time allowable for filing amendments.

Re-establishing rights

In international patent prosecution, one of the most important actions that allows applicants to claim priority is for them to use the earliest application date as the base date for substantial evaluation. Under the current system, if the applicant omits to claim priority while filing a patent application, it will lose this right. Since this is an opt-in that can be easily overlooked, the draft act would permit applicants to claim priority within 16 months of the priority date if they unintentionally omitted to claim priority right while filing.

As to paying the annuity, the draft act would apply the same mechanism to allow applicants to re-establish their rights within a specified grace period if they failed to pay the annuity when due.

Extending the scope of non-prejudicial disclosure

Under the current system, once a particular disclosure is deemed non-prejudicial, this cannot be used to challenge the novelty aspect of a patent, although it can be used to contest inventive step if this is combined with other factors. This is inconsistent with the international norm, whereby a patent's inventive step is typically also exempt from the challenge of a non-prejudicial disclosure. The draft act would exempt both a novelty and inventive step from the challenge of a non-prejudicial disclosure, bringing Taiwan's practice into line with the international norm.

Currently, the following types of disclosure may be considered as non-prejudicial once certain other conditions are satisfied:

- The invention is created as a result of research or experiment.
- The invention is exhibited at an exhibition sponsored or approved by the government.

- The invention has been disclosed in an occasion not intended by the patent applicant.

In addition, the draft act would recognise an invention that was intentionally published in a journal as non-prejudicial disclosure.

Temporary co-existence of two applications for one invention

Taiwan allows utility model applications, which are normally granted following formative examination six months after filing. This speedy procedure provides timely protection for industries with short product cycles. However, utility model patents have a shorter patent term and require additional examination reports to ensure their validity.

In order to enable applicants to take advantage of the speedy procedure of utility model patents and the benefits of invention patents, TIPO has designed a new mechanism which would allow applicants to file two concurrent applications for both an invention patent and a utility model patent. Under general circumstances, the utility model patent would be granted while the invention patent application was pending. If TIPO eventually granted the invention patent for the same invention, the applicant would have to select one of the patents to survive. This mechanism should allow applicants to enjoy a speedy procedure for the utility model applications while being able to obtain an invention patent for the same invention. It would also allow TIPO to observe the 'one patent, one invention' paradigm.

Allowance of partial invalidation

Under the current system, anyone that files for invalidation is considered to be challenging the patent claim as a whole. If one particular claim is judged invalid, the whole patent is cancelled, since it is considered that all of the claims together define the scope the invention. The draft act sets out the concept of partial invalidation; the person filing for invalidation would have to indicate the invalid claims, which might target only certain specific parts of the patent in question.

Patentability of animals and plants

Currently, animals, plants and, in essence, biological processes to produce animals or plants (with the exception of processes for producing micro-organisms), are not patentable. In order to promote the biotechnology industry, the draft act would open up the patentability of animals and plants. TIPO believes that, given the

number of existing regulations on exhaustion of rights, compulsory licences, exemption of non-commercial private use, experimental conduct and farmer exemptions, allowing a monopoly of technology for animals and plants would not seriously impact on the development of traditional industries.

Changes to design patents

Partial design applications

Like the patent systems of the United States and Japan, the draft act would allow partial design applications. Applications would be able to claim the shape, pattern or colour, or combination thereof, of a specific portion of an article. This change would prevent infringers from evading liability by reproducing only part of a design patent.

New patentable subject matter

Computer-generated icons (graphic user interfaces) are two-dimensional images that are not patentable under the current system because they are not attached to a three-dimensional article. However, the draft act would allow these items to be patentable subject matter under a design patent, as is the case in the United States.

Derived design patents

The draft act introduces a new type of design patent, a derived patent, to protect similar designs. One design concept can often produce several similar designs for different products. For this reason the current act sets out the notion of an 'associated patent' to protect these similar designs. However, associated design patents are not recognised as independent patents and will be cancelled if the mother design patent becomes invalid. In order to provide better protection for similar designs, the draft act would give independent and equal weight to all associated patents, henceforth to be known as derived patents. Derived patents would exist independently of their source and the cancellation of the latter would not affect the validity of the former. Accordingly, the draft act would replace all regulations in the Patent Act in connection with associated designs with new regulations applicable to derived design patents.

Infringement

The section of the draft act dealing with infringement caused fierce debates during the public consultation phase, as it involves issues related to both IP law and civil law in Taiwan. As a result of this clash, TIPO has consolidated the opinions and input received and presented the following proposal.

Intention and negligence

One of the major issues raised pertains to the question of whether a standard of subjective intent will be applied to an infringer. The debates surrounding this issue were particularly heated since the current act imposes no requirements of subjective intent in order for liability to be determined. In order to resolve this issue, the draft act would provide that patentees could claim compensatory damage against an infringer that intentionally or negligently infringed their patents. In other words, the infringer's subjective intent must be proved. However, patentees would be able to obtain injunctive relief against infringers without having to prove subjective intent. The draft act would increase the burden of proof on patentees seeking to obtain damages if no negligence or intention existed or could be proved.

Calculating damages

Under the current system, patentees may claim compensatory damages using either of the following methods of calculation: actual damages or loss, or the profit earned by the infringer as a result of the infringement. Many observers believe that these methods have resulted in systemic over-compensation, which imposes unreasonable royalty burdens on manufacturers and impedes innovation. In addition, many patentees have difficulty calculating compensation since it is often difficult to determine an infringer's profit. The draft act sets out an additional calculation method, based on loss of royalty income resulting from the infringement.

Punishing wilful infringement

Many countries, including Taiwan, have established punishments for wilful infringement. Currently, patentees may claim punitive damages up to triple the amount of the loss incurred. However, many commentators argue that this conflicts with a fundamental principle of Taiwan civil law: that monetary compensation is designed to compensate and not to punish. The draft act would therefore remove such punitive damages and ensure that wilfulness would have much less impact on the level of compensation.

Contributory infringement

According to the version of the draft act released at the public consultation phase, TIPO proposed an article on contributory infringement. After many discussions with legal professionals, practitioners and industry group leaders, TIPO agreed with the general opinion that the courts were the best venue to resolve the issue of contributory infringement in accordance with applicable

precedent and on a case-by-case basis. The article in question has therefore been removed from the draft act.

Changes to pharmaceutical patents

TIPO has made the following proposals in the draft act with the aim of promoting public health.

Extending patent terms

With respect to pharmaceuticals and agrichemicals (and related processes) for which the government approval process is over two years from publication of the patent, the current act allows the patentee to apply for a two to five-year extension of the patent term.

The draft act would eliminate the current minimum threshold of two years. Further, the patentee's right to extend the patent term would be based only on the first government approval, as determined by the effective ingredient plus its indication. In other words, a new indication granted for an identical effective ingredient would still constitute a first government approval and qualify for a term extension. However, if there were multiple first government approvals from the same patent application, the patentee should choose the approval on which to base the application for extension, since it can be applied only once.

Exemptions for experimental use

The current act sets out certain exemptions from patent infringement for the purposes of non-profit research, education or experimentation. In order to encourage the development of generic drugs and promote public health, the draft act would extend the scope of such exemptions to cover research and experimentation designed to obtain a marketing registration in accordance with the Pharmaceutical Affairs Act. This exemption would also apply to research and experimentation conducted to obtain marketing approvals in foreign countries.

Exclusive licences

The rights of exclusive licensees are a frequently discussed topic throughout the world. The current act does not clearly define 'exclusive licence' or clarify the rights granted to exclusive licensees. The draft act would allow exclusive licensees to exclude patent owners when performing the patent, unless otherwise agreed, and to sub-license the patent right to others without the patent owner's agreement. However, there are still serious concerns over both these issues.

Compulsory licences

The current Patent Act establishes that an applicant

may request a compulsory licence from TIPO in the following circumstances:

- to deal with a national emergency;
- to make public non-commercial use of a patent to improve public welfare;
- to resolve an impasse between the user and the patentee in reaching a licensing agreement under reasonable commercial terms and conditions within a specified period of time;
- to contest an anti-competitive final decision from a patentee; or
- to form an agreement between the patentee of a reinvention and the patentee of the original invention.

In order to comply with Article 31 of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs), the draft act would make several revisions regarding compulsory licences. First, other governmental authorities would be able to request TIPO to grant compulsory licences during national emergencies or other circumstances of extreme urgency. Second, similar to Article 31(l) of TRIPs, the owner of a second patent which cannot be exploited without infringing a first patent can apply for a compulsory licence if the second patent involves an important technological advance of considerable economic significance. Moreover, where anti-competitive behaviour exists, a user need not wait for the final judgment to apply for a compulsory licence; a pending judgment or decision will be sufficient.

In addition to the aforementioned, as a member of the World Trade Organisation, Taiwan is working towards compliance with the Doha Declaration by relaxing the restrictions on compulsory licences in order to enhance the affordability of essential drugs in developing countries. The draft act would thus allow for a compulsory licence application in order to export essential drugs for the treatment of AIDS, tuberculosis, malaria and other contagious diseases to countries that are incapable of producing such drugs, on the condition that a licence cannot be obtained under reasonable commercial terms and no compulsory licence has been granted in the importing country.

Conclusion

The draft act has been in the pipeline since 1995 and has been thoroughly discussed throughout the public consultation phase. It sets out many changes to the current regime; this chapter has only discussed the key issues.

Overall, the draft act would create a friendlier landscape for patent applicants and patentees. Nevertheless, the articles governing infringement are likely to attract much debate in the next legislative procedures. Though there are different opinions with respect to certain issues raised in the draft act, TIPO has diligently conducted an overall review of the current act and practices and has proposed a balance-oriented draft. The draft act is now before the Ministry of Economic Affairs; there are still several steps before it becomes law in Taiwan.



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