

Taiwan

New courts, new rules and new practices for IP litigation

Due to the rapid development of technological innovation in recent years, IP rights have not only played an important role in the promotion of economic development and trade liberalisation, but have also become to be seen as indicators of national competitiveness. As well as business opportunities and economic benefits, IP rights can lead to endless disputes, causing both increases in litigation costs in many countries and the erection of trade barriers by certain countries. As IP protection is the key to success in a knowledge-based economy, Taiwan has been making efforts to maintain a high standard of law and practice relating to IP rights. To keep pace in this era of globalisation and to maintain scientific and technological competitiveness, the IP Court has been established to resolve IP-related disputes effectively and efficiently. In addition, the IP Adjudication Act has been passed, laying down a new set of procedural rules for IP-related cases.

Background

Before the implementation of the IP Adjudication Act, IP litigation in Taiwan was heavily criticised by the legal profession and the public due to major procedural problems and the difficulties of reviewing technical, factual and legal issues. These issues included:

- the dual court system – while IP litigation was dealt with by the common courts, the validity of patents or trademarks was determined by administrative authorities and courts, thus causing cases to be delayed before the common courts while the courts waited for validity rulings from the administrative authorities;
- judges' lack of technical background;
- an inadequate and ineffective mechanism for evidence collection; and
- ambiguous standards for preliminary injunctions.

In response, the Judicial Yuan drafted the IP Adjudication Act, which came into effect on July 1 2008,

to eliminate these problems. This chapter discusses the major improvements made due to the IP Court and the IP Adjudication Act.

New IP Court

Prior to the introduction of the IP Adjudication Act, a dispute over the validity of an IP right could be determined only through an administrative procedure. If an invalidity defence was raised in civil or criminal litigation, the common courts could stay the civil or criminal proceeding pending rulings on the validity issue by the Taiwan Intellectual Property Office (TIPO), the Ministry of Economic Affairs, the Administrative High Court and the Administrative Supreme Court. On average, it takes over three years to complete administrative proceedings regarding validity issues; thus, this does not provide the IP owner with the necessary protection and enforcement rights. Such lengthy and slow civil or criminal proceedings were also a heavy burden on the defendants in such cases.

However, under the new IP Adjudication Act the judge is now prohibited from staying the proceeding and must determine the validity issues as part of the IP infringement case. Under the act, court decisions on the validity of an IP right are binding only on the parties involved. It is still necessary to raise an invalidation action at the TIPO if a person wants to invalidate a patent or trademark permanently. Although the new procedure should resolve the issue of major court delays in infringement cases, it is conceivable that the IP Court's decision on the validity of an IP right may conflict with the TIPO's decision in an invalidation action.

Consisting of nine judges, the IP Court has national jurisdiction over IP-related cases in civil, criminal and administrative litigation. For civil cases, the IP Court has jurisdiction at first and second instance (first-instance cases are handled by a single judge, while appeals are handled by a panel of three judges). In criminal cases the

IP Court has only appellate jurisdiction. For administrative procedures (ie, disputes over the validity of patents or trademarks), the IP Court has replaced the former Administrative High Court and hears appeals against decisions of the TIPO and appeal decisions of the highest TIPO authority, the Ministry of Economic Affairs. IP Court decisions can be appealed to the Administrative Supreme Court.

The IP Court enjoys priority in regard to jurisdiction, but its jurisdiction is not exclusive. A common district court judge may choose to send the case to the IP Court if a claimant files a civil complaint for IP infringement. However, if the common district court judge does not send the case to the IP Court, instead deciding to hear the case, the district court's decision cannot be appealed on jurisdictional grounds.

Although the new IP Adjudication Act does not outlaw previous procedures, it requires all judges, regardless of the court in which they sit, to apply the new law to all subsequent proceedings.

New technical examiner

It is not uncommon for an IP case to involve complex technical issues. In Taiwan, judges do not need a technical background; most judges graduated from law

schools without taking any science courses. When handling IP infringement cases, due to a lack of technical knowledge the judge often makes his or her decision based on the opinions of independent verification institutes recommended by the Judicial Yuan. The establishment of the technical examiner system is one of the key developments resulting from the new IP Court and the IP Adjudication Act. The function of technical examiners is to help judges to understand the technical issues involved in cases. As such, the judges can deal with technical issues without over-reliance on outside verification institutes.

The published list of nine technical examiners reveals that they have been selected from among the senior patent examiners of the TIPO. Where necessary and upon authorisation by the judge, a technical examiner may:

- question the parties or witnesses in relation to technical issues;
- provide opinions on the case to the judge; and
- assist in evidence collection procedures, including preservation of evidence procedures.

However, the technical examiners are not expert witnesses and are not subject to cross-examination. Any

Table 1

Former court structure for IP cases

Civil action (infringement)	Criminal action	Administrative action (invalidation)
Supreme Court	Supreme Court	Supreme Administrative Court
High Court	High Court	High Administrative Court
District court	District court	Administrative appeal (Ministry of Economic Affairs) Invalidation action (TIPO)



New court structure

Civil action (infringement)	Criminal action	Administrative action (invalidation)
Supreme Court	Supreme Court	Supreme Administrative Court
IP Court (three judges)	IP Court (three judges)	IP Court (three judges)
IP Court (one judge)	District court	Administrative appeal (Ministry of Economic Affairs) Invalidation action (TIPO)

notes, summaries or opinions provided by the technical examiner will neither be disclosed to the parties nor be admitted as evidence.

Enhanced evidence collection procedures

The IP Adjudication Act introduces a non-disclosure procedure for confidential information known as a confidentiality preservation order, which is similar to the protective order provided by the US system. In the past, a holder of trade secrets or other confidential information could raise a defence of confidentiality so that it could request the court to prohibit or restrict the opposing party from accessing such information. Hence, an IP infringement case may be delayed simply by challenging whether the disclosure of the technology at issue should be allowed.

Nevertheless, in many IP infringement cases the core issues are often related to confidential information which should be submitted to the court for litigation purposes. In order to protect the trade secret owner's interests, the IP Adjudication Act stipulates that upon receiving an application by a trade secret owner (either a party to the litigation or a third party), the IP Court may issue a confidentiality preservation order restraining the party, attorney, assistant and any other relevant persons from disclosing certain confidential information to others. Non-public proceedings may be conducted for IP trials involving trade secrets or other confidential information. Restrictions may be imposed on reviews, transcripts and the videotaping of court documents. The holder of confidential information may then submit such information to the court for investigation under the protection of the confidentiality preservation order. Violation of a confidentiality preservation order is subject to up to three years' imprisonment. A confidentiality preservation order creates strong protection for the discloser of confidential information. It is hoped that under the protection of a confidentiality preservation order, a trade secret owner may be more willing to submit confidential information to the court and thus facilitate the adjudication of IP infringement cases.

In contrast to the US court system, there are no discovery procedures in Taiwan. The only mechanism with direct compulsory effect for evidence collection is the preservation of evidence procedure in civil actions. According to the Civil Procedure Law, a party may file a request for the preservation of evidence either before or after civil litigation is initiated, acknowledging that there may be risks that relevant evidence will be concealed or destroyed. An application for the preservation of evidence may be made in *ex parte* proceedings. Prior to the enforcement of the IP Adjudication Act, the court

could not enforce the execution of a preservation of evidence ruling by the court. If such an application were granted by the court, the judge would simply ask the respondent to submit evidence listed in the court ruling without any way of compelling it to do so. The respondent could easily deny the existence of the requested evidence or even mislead the judge (who has no technical background) by providing samples of unrelated products.

In response to these problems, the IP Adjudication Act now provides that when carrying out the duty of preservation of evidence, the judge may:

- direct the technical examiner to provide assistance on site;
- request help from the police department;
- compulsorily execute the ruling to the necessary extent; and
- issue protective orders when requested by the respondent.

Thus, the preservation of evidence procedure offers the plaintiff much more power to obtain the necessary evidence, which will help the court to deal with the key issues as soon as possible. In fact, it opens a new front in the war between parties to an IP litigation.

Clearer standards for preliminary injunctions

If the product involved in an IP dispute is characterised by a short lifecycle in the market, a preliminary injunction granted to prohibit manufacture or sale may cause the product to be phased out and the company may be eliminated from the market before a final decision on the case is rendered.

However, prior to the implementation of the IP Adjudication Act, the standards for granting a preliminary injunction were quite ambiguous, allowing the court to issue a preliminary injunction order without merit. According to the Civil Procedure Law, a preliminary injunction could be granted if the applicant provided relevant evidence to show:

- the legal relationship in dispute; and
- that potential material harm, imminent danger or other similar circumstances would occur if an injunction were not issued.

Furthermore, the Civil Procedure Law stated that even if the applicant could not provide sufficient evidence to satisfy these requirements, a preliminary injunction could be granted if the applicant provided a sufficient bond to compensate the respondent's loss if the

litigation were later determined to be without merit. This allowed the court to grant a preliminary injunction without considering the merit. Thus, preliminary injunctions became the most popular means for patentees to pressurise defendants' businesses.

In response to this misuse, the IP Adjudication Act specifically requires the judge to consider the likelihood of success on the merits as well as possible irreparable injury, the balance of hardship and the public interest. In addition, in order to balance the protection of IP owners and their competitors, the law indicates that stricter standards should apply in IP cases while reviewing preliminary injunction applications. If an applicant fails to show the absolute necessity for a preliminary injunction or provisional attachment to the extent required by law, the application should be rejected. The IP Court is expected to apply much stricter standards

when reviewing preliminary injunction applications and to grant fewer preliminary injunctions in future.

Conclusion

The establishment of the IP Court and the implementation of the IP Adjudication Act reflect Taiwan's ambitions for higher IP protection standards, as well as its desire to promote creativity, professionalism and justice. With the objective of avoiding the impediment of civil and criminal cases, accumulating IP experience for specialist judges in the field and promoting Taiwanese economic development, these ambitions are likely to be realised. Although many difficult issues still remain and the success of the new measures will be tested over time, Taiwan will continue to strive for accuracy, efficiency and effectiveness in the adjudication of IP cases.

Yu-Lan Kuo is director of the IP and technology law division at Formosa Transnational and former chairman of the Trademark Law and Patent Law Committee of the Taipei Bar Association. He is also counsel for setting up special IP courts for the Judicial Yuan. He specialises in intellectual property, international trade and litigation. He holds an LLM from the Law School of the University of Minnesota (1998) and an LLB from the Department of Law of the National Taiwan University (1983).

Yu-Lan Kuo
Partner
Tel +886 2 2755 7366
Email yulan.kuo@taiwanlaw.com
Formosa Transnational
Taiwan



Charles Chen is a patent attorney in the IP and technology law division at Formosa Transnational. He specialises in intellectual property, international patent prosecution (mechanical engineering) and patent litigation. He holds an MCL from Indiana University Law School (2000) and an LLB from the National Taiwan University Department of Law (1994).

Charles Chen
Patent attorney
Tel +886 2 2755 7366
Email charles.chen@taiwanlaw.com
Formosa Transnational
Taiwan

