

► ENFORCEMENT ◀

Taiwan has Made Substantial Improvement in Intellectual Property Rights Protection

The Ministry of Economic Affairs (the “MOEA”) held an year-end press conference on December 29, 2004. At this conference, Minister Ho, with the theme of “Beautify Taiwan, Boost Economy”, reflected the performance in economy and policy implementation of the year past, and declared the major tasks in economic policy implementation of this year. Minister Ho pointed out that Taiwan has made substantial improvement in intellectual property rights protection, with the piracy rate of commercial software down to 43%, which makes Taiwan the second lowest country in terms of piracy rate in the Asia region. Further, the amounts of Taiwan products seized by the U.S. customs as pirated products decreased from US\$26,500,000 as of 2003 to US\$610,000 as of 2004. From January to November 2003, the intellectual property rights infringement cases discovered by the Intellectual Property Rights Protection Squad amount to only 1096 cases, which number is a dramatic 40.5% decrease as compared to the same period of the previous year.

In addition, regarding the issues most concerned by the U.S., Taiwan has completed the legalization of the Intellectual Property Rights Protection Squad, the implementation for establishment of intellectual property rights professional court, amendments in Copyright Law with additional protection mechanism and anti-piracy measures, intensified crackdowns on piracy activities via the Internet, newspaper inserts and home reproduction.

Increased Investigation and Enforcement Efforts by the Prosecutors, Police and Investigators in 2004 Led to Significant Reduction in Counterfeit and Piracy Activities

The Intellectual Property Office, MOEA (“TIPO”), expressed that, in order to fully implement intellectual property rights protections, the MOEA has convened four times the “Coordination Meeting on Intellectual Property Rights Protection” to coordinate with the Ministry of the Interior (the “MOI”), Ministry of Legal Affairs and Ministry of Education,

and other units for aggressively enforcing intellectual property rights protection tasks. Particularly, in the area of investigation and enforcement of counterfeits and piracy, there has been significant reduction on the manufacture and sale of pirated optical discs through the measures of: converting the acts of manufacture and sale of pirated optical discs to public prosecution crimes pursuant to amendment of the Copyright Law, continued active investigations in optical disc factories by the United Inspection Team in Optical Discs of the MOEA, and frequent investigation and enforcement on pirated products sold in night markets by the Intellectual Property Rights Protection Squad.

Last year, the Taiwan High Public Prosecutors Office continued to convene report meetings on special projects of investigation and enforcement in 2004, integrating the prosecutors, the police, and investigators to actively implement intellectual property rights protection tasks, and the National Police Agency of MOI continued executing two nation-wide special projects called “Crackdown on Counterfeits No. 4 and No. 5,” which render tremendous hurdling effects on counterfeit and piracy activities. The related achievements are set out below:

- (1) In 2004, the National Police Agency discovered 4,209 intellectual property infringement cases, with 4,321 suspects arrested, which numbers decreased by 9.68% as compared to 4,660 cases, and by 24.37% as compared to 5,713 suspects, during the same period of the previous year. Among which, 1,219 infringement cases in total were discovered by the Intellectual Property Rights Protection Squad, which is a 39.56% decrease as compared to 2,017 cases during the same period of the previous year, and 659 cases of which were copyright related cases representing a 62.3% decrease compared to 1,748 cases during the same period of the previous year.
- (2) The United Inspection Team on Optical Discs made optical disc factory inspections 1,067 times (day time inspections: 650 times; night time inspections: 417 times), a decrease of 1.93% as compared to 1,088 times during the same period of the previous year. 7 major violations were found, a decrease of 30% as compared to 10 during the same period of the previous year.

The TIPO stated that, to combat the ever changing types and modes of criminal infringement activities, it will continue to

coordinate with the prosecutors, police and investigators to carry out the enforcement on “Implementation Scheme for Increased Computer Software Protection” and “Implementation Scheme for Increased Internet Infringement Prevention” in the future, so as to achieve the goal for piracy rate not exceeding 40% in 2005 and to effectively prevent and control illegal acts of Internet infringement.

TIPO Completes the “R.O.C. Patent Gazette Search System”

In order to upgrade patent examination quality and service standards, the TIPO has completed the “R.O.C. Patent Gazette Search System” (<http://patentog.tipo.gov.tw/tipo/twpat.htm>) and has officially provided free service to the public from January 1, 2005.

Further, in order to provide complete patent gazette information to the public and to upgrade patent examination quality, TIPO called for bids to implement a new version of the R.O.C. Patent Gazette Search System (Web Version) early in 2004, completed scanning the gazettes from year 1950 to May 2001 as image data and the miscellaneous changes data from year 1974 to May 2001; organized a complete gazette index and patent application scope data, combined the existing e-gazette materials published since June 2001 and constructed an integrated platform domestic patent gazette data search engine.

This system has a newly added function on gazette miscellaneous search, which provides gazette searches including oppositions, invalidations, expiries, assignments and amendments. Users may search via the Internet for the latest and complete patent status and patent gazette information.

Renowned Trademarks List for Cultural and Creative Industries now available

The Director General of the TIPO, Tsai Lien-Shen, recently mentioned that the purpose of the selection of renowned trademarks for cultural and creative industries and the compilation of a renowned trademarks list thereof is to promote awareness of trademarks in the cultural and creative industries and to accumulate cultural intelligence to become advantageous foundations for the industries’ operation. It is hoped that, through this initiative, the industries will re-think their operational strategies, understand the importance of trademark rights, interest preservation and protection, and work toward combining cultural, creative and innovative operation models so as to reborn entirely and create competitive edges in business operation.

For details of the newly available “Renowned Trademarks List for Cultural and Creative Industries”, please go to: <http://www.tvc.ntnu.edu.tw/plan/culture.htm>.

► LAWS & REGULATIONS ◄

Amendments to the Statute for Upgrading Industries Concerning the Levying of Income Tax on Acquisition of Shares by way of Contribution of Technology Implemented Retroactively as from January 1, 2004

To accelerate Taiwan’s march toward knowledge economy of technological innovations, the method of “contribution of technology as capital” serves as an extreme important function for the development of the knowledge industries that are primarily based on innovative technologies. Therefore, contribution of technology as capital greatly encourages investments in the high potential and high risk innovative technology businesses.

The amended provisions in Articles 19-2 and 19-3 of the Statute for Upgrading Industries take into account that contribution of technology as capital for shares usually occurs at the founding stages of a company when the shares are yet publicly offered and there is no market to trade such shares. Under the circumstances, liquidity of such shares is minimal, and if income tax is still to be levied on the amount of the capital subscription by intangible assets exceeding the cost of the acquisition thereof, it may adversely affect the policy of encouraging technology transfer and industrialization of research and development results. Particularly, this effect would be a heavier burden for biotech companies under development which require continuous injections of capital funds for research and development. Therefore, the MOEA added Articles 19-2 and 19-3 as new provisions to the Statute for Upgrading Industries to resolve the above-mentioned tax issue.

A summary of the above-mentioned amendments is as follows:

1. For contribution of technology for acquisition of a part of the shareholding in a company of the emerging industries, such shareholding exceeding 20% of the shareholding of that company, and the number of shareholders in each such subscription not exceeding five persons, such shareholders are not required to pay income taxes at the time of acquisition of such shares, and may elect to defer entirely to the fifth year after the year of subscription. (Article 19-2 as Amended)
2. In order to encourage industrialization of innovative technology, referencing the legislative precedents of the developed countries in the Europe and the U.S., emerging industries are permitted to provide stock options to technology owners as the price for their contribution of technology. Further, it is expressly provided that income taxes will only be levied at the time of exercise of the stock options on the difference between the market price of the subject shares on the date of exercise and the subscription price. (Amended Article 19-3)

The above-mentioned draft amended articles have been passed the third reading by the Legislative Yuan on January 7, 2005. Upon President's promulgation, these amendments shall be implemented retroactively starting from January 1, 2004.

Amendments to “Substantive Examination of Invention Patents, Chapters 5 to 8, Patent Examination Standards Part 2” Implemented from December 14, 2004

The TIPO announced the amendments to “Substantive Examination of Invention Patents, Chapters 5 to 8, Patent Examination Standards Part 2” on December 14, 2004 and such amendments are implemented from the same date. These standards set out the relevant explanations such as international and domestic priority claims, supplements, revisions and corrections on specifications and drawings, special applications for divisions and conversions, and extension of patent term.

For details of the above-mentioned standards (in Chinese), go to:

<http://www.tipo.gov.tw/service/news/ShowNewsContent.asp?wantDate=false&otype=1&postnum=6131&from=board>

TIPO Pre-Announces the Draft Amendments to the “Measures for the Award and Subsidy on Inventions and Creations”

The TIPO pre-announced the draft amendments to Articles 1, 6 and 7 of the “Measures for the Award and Subsidy on Inventions and Creations” on December 7, 2004 pursuant to Paragraph 2, Article 151 of the Administrative Procedure Law applying Paragraph 1, Article 154 of the Administrative Procedure Law and Article 131 of Patent Law *mutatis mutandis*.

The above-mentioned draft amendments are summarized as follows:

1. In the case of joint invention or creation by more than one individual, the award and subsidy will be distributed in proportion to the number of such individuals by the competent patent authority if, after due notice given to agree on the distribution within the prescribed time, the individuals are unable to reach their own agreement on the distribution.
2. In order to encourage the industries to engage in invention and creation, the time limit for participating in the invention patent selection will be expanded to six years. However, the time limit for new utility model patent and new design patent will remain as four years due to a shorter period of time for their commercialization.

In addition, after patents for medical products, agrichemical products or their manufacture methods are approved,

additional approval from the competent authority shall be obtained for entry into the market. Moreover, the patent term may be extended for a further two to five years by application in accordance with Article 52 of Patent Law. Since, the current four year limitation is too short and unable to select products that are actually of high quality, the term for the medical products, agrichemical products or their manufacture methods to obtain patent is extended to nine years.

For the enrollment to participate in creation award selection on new utility model patent approved based on procedural examination on and after July 1, 2004, a new utility model patent technology report shall be additionally attached to the application.

MOEA Amends Article 13 and Article 14 of “Regulations Governing Export Commodities”

MOEA announced the amendments to Article 13 and Article 14 of “Regulations Governing Export Commodities” as follows:

Article 13

For performing special monitoring of the trademarks affixed to or used on exported commodities, the Bureau of Foreign Trade, MOEA (“BOFT”), may set up a trademark export monitoring system to accept the application for trademark recordation by trademark owners or authorized trademark agents and charge a recordation fee. The rates for recordation shall be determined by the BOFT in accordance with the budget procedures.

The execution procedure of the trademark export monitoring system described in the preceding paragraph shall be jointly announced by the BOFT and the Directorate General of Customs (“DGOC”).

Article 14

If the Customs discover that the exported commodities themselves or their inner or outer packages or containers bear a trademark or other words, drawings, marks, colors or combinations thereof that are identical or similar to a recorded trademark and used in the same recorded commodity by checking through the trademark export monitoring system, the following measures shall be taken:

- (1) Where such marking is identical to a recorded trademark and the exporter is not on the trademark owners' list of manufacturers/companies permitted to use the registered trademark, the Customs may request the exporter to provide legal documents from the trademark owner assigning or authorizing the exporter to use the registered trademark, or other documents capable of evidencing that no trademark counterfeiting has been involved for the Customs to check and release the commodities for export.

Where such marking is similar to a recorded trademark and the similarity is likely to cause confusion, the Customs may proceed in the same manner as described in the preceding paragraph.

Amendments to the “Execution Procedure for Trademark Export Monitoring System Operations” Implemented as from January 1, 2005

The BOFT and the DGOC jointly announced the amendments to the “Execution Procedure for Trademark Export Monitoring System Operations” on December 15, 2004, and which has been implemented as from January 1, 2005.

The Trademark Export Monitoring System aims to accept the relevant materials such as the trademarks, authorized manufacturer lists and trademark terms provided from the trademark owner for the BOFT to review, enter into its computer database and then transfer to each customs district for the customs officers to check if specific trademark on exported commodities is likely to infringe any of the recorded trademarks in the monitoring system. This Execution Procedure regulates the qualification of the relevant applicants, the documents required to be attached for recordation applications, review of such applications, revisions to or cancellation of the recorded data and the customs inspection enforcement procedure, etc.

For details of the above-mentioned amendments, the Trademark Export Monitoring System Operational Procedure Flowchart, application forms and the relevant materials (in Chinese), please go to:
<http://ekm92.trade.gov.tw/BOFT/OpenFileService2>

“Trademark Export Monitoring System Trademark Recordation Fee Charges Principles” Implemented as from January 1, 2005

The BOFT announced “Trademark Export Monitoring System Trademark Recordation Fee Charges Principles” pursuant to Article 13 of “Regulations Governing Export Commodities” on December 15, 2004, and which has been implemented as from January 1, 2005.

Trademark Export Monitoring System Trademark Recordation Fee Charges Principles

1. When the trademark owner applies to the BOFT for recordation in special monitoring of “Trademark Export Monitoring System” (the “System”), the trademark owner shall pay the recordation fees.
2. The fee charges principles for trade mark recordation in the System is as follows:
 - (1) The applications under the same trademark registration certificate shall be deemed as one application.
 - (2) The scope of the commodities to be recorded shall not exceed the designated product scope stated in the trademark registration certificate, and shall be transformed into an eleven-digit CCC Code. If the BOFT has any doubt on the correct transformation to CCC Coding from the designated products stated in the trademark registration certificate, the BOFT may seek the advice of the TIPO.
 - (3) If the first six digits of the CCC Code (i.e. the HS Code commonly used internationally) are the same, the products shall be classified in the same class. If the classes to be recorded are within ten classes, the recordation fee will be fixed at NT\$5,000; if more than ten classes, additional fees will be charged at NT\$1,000 per additional class.
 - (4) If any data is to be amended after recordation, each amendment will be charged at NT\$2,000 per amendment application. If amendment involves addition of more commodity classes and the total classes of such addition combined with those already recorded exceed ten classes, additional fees will be charged at NT\$1,000 per addition class exceeding ten classes. If only the Consent-to-Mark Manufacturers List is to be amended, no fee will be charged.
 - (5) The extension of the trademark term shall be deemed as data amendment and each extension shall be charged at NT\$2,000 per amendment application.

In case that after a trademark is recorded and the fee is paid, the trademark is invalidated by the competent trademark authority under examination, no refund of the fees paid will be made.

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