

► ENFORCEMENT ◀

**MOEA Deeply Dissatisfied and Regretted Over  
USTR's Decision to Place Taiwan Under  
Special 301 Priority Watch List**

USTR announced on May 3 (EST) the 2004 Special 301 Report. A total of fifty-two US trading partners are placed on the Special 301 List. Taiwan is placed on the Priority Watch List with out-of-cycle review. Other trading partners on the Priority Watch List include EU, Korea, the Philippines, Brazil, etc. Mainland China and Paraguay continue to remain on the Section 306 monitoring list, while thirty-four countries including Thailand and Malaysia are placed on the regular watch list.

According to the report, the United States is appreciative of the efforts and achievements the Taiwan government has put forth in heightening night markets and OD factories inspections that resulted in the diminishing number of OD retail sales. However, the United States believes that retail sales have been transferred to non-traditional channels such as using flyers and through the Internet to counter government measures. Sales might be small in scale, but the damage to the industry is still rather apparent. Also, the United States wishes that legislations on protection for pharmaceutical and agricultural chemical testing information be passed to prevent unfair commercial use. In addition, it is suggested that penal provisions for the manufacturing and importation of counterfeit drugs be increased to eradicate the problem of increasing counterfeit drugs on the market. Taiwan will be reevaluated in the fall during the out-of-cycle review. If issues that are of concerns to the United States have been addressed, Taiwan might be removed from the Priority Watch List.

MOEA expressed dissatisfaction and regret over the United States' decision to place Taiwan, once again, under the Priority Watch List, despite all the efforts and achievements that have been made in 2003. MOEA indicated that as part of the efforts to strengthen IP protection, an inter-agency coordination meeting is established to plan and coordinate enforcement activities among all relevant agencies. Also, the Integrated Enforcement Task Force was established last year as a special taskforce for infringement inspections and investigations. Under the collaborative efforts of all government agencies, all three major IP laws, namely, the Trademark Act, the Patent Act and the Copyright Act were amended to meet international standards. Stringent inspections of night markets and optical disk manufacturing plants by the Integrated Enforcement Task Force and the Joint Optical Disk Enforcement Taskforce produced effect deterrent results, especially since the new Copyright Act has provided the manufacturing and sale of pirated optical disks a public offense. According to the United States' Customs fiscal year 2003 report on IP seizures, the total amount of seizures from Taiwan dropped from US\$26.5 million in 2002 to US\$610,000 in 2003. Software piracy rate reported by BSA also indicated that Taiwan made the biggest plunge worldwide from 53% to 43%, and is now ranked second in Asia, just after Japan's first. IFPI's recent music piracy rate report also indicated that Taiwan's dropped by 5%. These are all concrete figures supporting Taiwan's enforcement efforts.

MOEA emphasized that Taiwan will continue to maintain its momentum and determination in IP protection, despite the United States' decision to place Taiwan on the Special 301 list. Taiwan will also continue to strengthen its legal framework and enforcement mechanism to combat transnational piracy and

Internet piracy to ensure sound IP protection.

## ► MEASURES ◀

### **Software Industry Delivered Five Major Demands and “10,000 Petitions for World IPR Day” Movement**

In response to the April 26 World IPR Day, the Business Software Association (BSA) Taiwan, the Information Service Industry Association of ROC, the Taipei Computer Association, and the Kaohsiung Computer Association jointly organized a “10,000 Petitions for World IPR Day” movement. The Movement commenced on April 9 and continued for a week. The four organizations also delivered five major demands for improving Taiwan IPR protection environment. These five demands are:

1. Establish information service industry as the key industry in promoting Taiwan’s knowledge-based economy development.
2. Total allocated budget for promoting IT development should reach that of advanced countries’ standards within three years.
3. Related IP laws and regulations and enforcement movements should comply with international standards.
4. Legalize special IP police taskforce and strengthen professional trainings to eradicate piracy.
5. Government agencies and business organizations should incorporate software asset management mechanism, enhance trainings for software inspection personnel, and promote the use of legal software.

At the opening press conference for the petition movement, TIPO’s Director General TSAI, Lien-sheng stated that since Taiwan’s accession to the WTO, the government has been working relentlessly to motion its IP related laws and regulations, policies, and enforcement movements to be in compliance with international standards. The use of legal software and IP protection are two established policies of the Taiwan government. Director General TSAI hoped that the public takes part in this activity to express their support and

respect for IP protection, and take this opportunity to affirm to the world Taiwan’s determination in IP protection.

April 26 was announced World IPR Day by WIPO in 2001 to promote respect for IP protection throughout the world and to engender the significance of recognizing the hard work that people have put in innovation and creativity. April 26 is also the day the “Convention Establishing the World Intellectual Property Organization” entered into force. A different theme is set each year in celebration of the World IPR Day:

- 2001 Creating the Future Today
- 2002 Encouraging Creativity
- 2003 Make Intellectual Property Your Business
- 2004 Encouraging Creativity

## ► LAWS & REGULATIONS ◀

### **TIPO Clarifies Copyright Act’s Applicability as July 10<sup>th</sup> Deadline Approaches**

According to Article 106.2.3 of the Copyright Act, unauthorized copies of works protected under Article 106.1 are not allowed for sales from one year after the date of promulgation of the Copyright Act, which being July 10, 2004. Thus, as part of the WTO agreement, retroactive protection of works will take effect on July 11, 2004.

To help businesses understand the applicability of the Article 106.2.3, TIPO clarifies as follows:

1. All reproductions under retroactive protection will no longer be allowed for sales after July 11, 2004, despite the time period when the reproductions were obtained (whether they were obtained prior to Taiwan’s accession to the WTO or within the two years transition period after Taiwan’s accession to the WTO), Article 106.2.3 applies.
2. The term “sales” referred to in the preceding paragraph means “business actions that resulted from the actual transfer of rights.” These include, sales of all nature (retail shops, shopping centers, mail orders, flyers, Internet sales), free inclusion as part of purchase of other products, and sales through rental.

3. The term “sales” referred to in the first paragraph does not limit to actions such as “carrying out sales”, “completion of sales” or “making payment”, and also includes actions prior to the sales, such as “make available to the public” (public display) and “possession” (warehousing or transporting).

4. Penalties for reproduction in optical disk form and reproduction in non-optical form:

A. Reproduction in optical disk form:

(1) Beginning from July 11, 2004, sales of unlicensed reproductions in the form of optical disks under retroactive protection (e.g., American video CDs completed prior to July 11, 1965 but did not register for copyright, or did not meet mutual benefits requirements prior to Taiwan’s accession to the WTO, or did not meet protection requirements at first release) are subject to civil and criminal penalties.

(2) Actions such as “carrying out sales”, “completion of sales”, “making payment”, or actions prior to the sales, such as “make available to the public” (public display) are subject to criminal penalties stipulated in Article 91.1.3. If the reproduction is in the form of optical disks, it is a public offense subject to penalty stipulated in Article 100. In the event that the suspects fled, the merchandise may be confiscated according to Article 98.1. Possession of unlicensed reproductions is subject to criminal penalties stipulated in Article 93.1.2 and requires a complaint to be filed by the plaintiff.

B. Reproduction in non-optical disk form:

(1) Beginning from July 11, 2004, sales of unlicensed reproductions in the form of non-optical disks under retroactive protection (e.g., books) are subject to civil and criminal penalties. Actions such as “carrying out sales”, “completion of sales”, “making payment”, or actions prior to the sales, such as “make available to the public” (public display) are subject to criminal penalties stipulated in Article 91.1.1. Possession of unlicensed reproductions is subject to criminal penalties stipulated in Article 93.1.2 and requires a complaint to be filed by the plaintiff.

(2) Operators (publishers or bookstores) selling reproductions (books) under retroactive protection between July 11, 2003 and July 10, 2004 shall make remuneration to the economic rights holder in accordance to Article 106.2.2.

(3) Claims for copyright infringements, civil or criminal remedies are limited to economic rights holders and their licensees.

(4) Whether second-hand bookstores should also be subject to the provisions under Article 106.2.3, TIPO stated that under the Berne Convention, only publishing, wholesaling, performing, and remaking of copyrighted work apply. Thus second-hand books are not under the restriction of this Article.

5. Although remunerations have been paid to right holders in accordance to Article 106.2.2 between July 11, 2003 and July 10, 2004, sales of the copyrighted work may not continue after July 11, 2004 since such payment does not equate to licensing from economic rights holder. In other words, the continuation of sales of copyrighted works should only be allowed if licensing is obtained from the economic rights holder.

6. Some operators have taken advantage of the two years transition period since Taiwan’s accession to the WTO on January 1, 2002 to undergo what is in reality a new form of copyright utilization. TIPO warns that without licensing, these actions have already infringed upon the copyright of the work, and have nothing to do with the transition period stated in Article 106.2.

**New Trademark Related Criteria and  
“Criteria for Examination of Likely to Cause  
Confusion” Take Effect May 1, 2004**

Seven regulations on examination criteria and standards were announced on April 28, 2004 and entered into force on May 1. These are: “Criteria for Examination of Likely to Cause Confusion”, “Main Points for Determining Interested Parties in the Trademark Act”, “Criteria for Examination of Declaration for Non-Exclusive Use”, “Main Points for Determining Well-Known Mark”, “Operation Procedures for Trademark Verification Cases”, “Operational Points for Requesting a Review for Invalidation of Registration of a Trademark by Trademark Examiners”, and “Criteria for Examination of Distinctiveness of Trademark”.

The draft for the “Criteria for Examination of Likely to Cause Confusion” and the major revisions for the other six regulations were published in the Volume 12.3 issue.

For more details on the “Criteria for Examination of Likely to Cause Confusion” (in Chinese), please visit:  
<http://www.tipo.gov.tw/service/news/ShowNewsContent.asp?wantDate=false&otype=1&postnum=4518&from=board>

For complete text of the revisions to the other six regulations (in Chinese), please visit:  
<http://www.tipo.gov.tw/service/news/ShowNewsContent.asp?wantDate=false&otype=1&postnum=4519&from=board>

### **Major Points for Draft “Implementation Directives for Suspension of Trademark Infringements by Customs”**

MOEA announced on May 5, 2004 the “Implementation Directives for Suspension of Trademark Infringements by Customs”, drafted pursuant to Article 68 of the Trademark Act and Article 154.1 of the Administrative Procedure Act. In compliance with Taiwan’s accession to the WTO and the TRIPS Agreement, provisions for border control mechanism on trademark infringements are specified in Articles 65 to 68 of the Trademark Act that was promulgated on May 26, 2003. Article 68 of the said Act states that “The regulations governing the application for detaining goods, revocation of a detaining, inspection of detained goods, payment, provision and return procedures for a bond or security, required documents and other matters to be abided by which set forth in the preceding three articles shall be prescribed by the competent authority and the Ministry of Finance,” and the Directives was drafted by MOEA and MOF accordingly. Major points to the draft Directives are as follows:

1. Documents, bonds, and types of bonds at time of application:  
Trademark rights holder applying for suspending imports/exports suspected of trademark infringement shall submit proof of infringement, application form, the amount of bond equivalent to the estimated import value of the

merchandise after tariff or the export value of the merchandise at the time of export, or an equivalent in guarantee with the type of bond clearly specified (Articles 2 and 3).

2. Application and corrections procedures:  
In the event that corrections are needed at the time the application for suspension is being examined, Customs shall notify the applicant to resubmit the required documents and shall clearly state that Customs clearance procedure shall proceed meanwhile (Article 4).
3. Application for examining the suspending merchandise:  
The applicant or the defendant wishing to examine the goods in question shall submit an application and examine the merchandise at the time, place and under the procedures prescribed by Customs (Article 5).
4. Documents and types of bonds required for terminating the suspension:  
Defendant wishing to terminate the suspension shall submit a written application along with a bond twice the amount as required in Article 3, or an equivalent in guarantee with the type of bond clearly specified (Article 6).
5. Obligation to notify Customs of the termination of the suspension:  
Shall the suspension case be brought into trial and the case is dismissed on the ground that the goods in question is not infringing upon the trademark right of the economic rights holder, the result of the ruling shall be forwarded to Customs immediately for termination of suspension. The applicants and the defendant are obligated to send a written notification of the final verdict to Customs (Article 7).

For the complete text of the draft and interpretation for the Directives (in Chinese), please visit:  
<http://www.tipo.gov.tw/service/news/ShowNewsContent.asp?wantDate=false&otype=1&postnum=4535&from=board>

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