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Intellectual Property - Taiwan

Toshiba wins first infringement lawsuit against DVD-ROM manufacturers

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In June 2011 Toshiba Corporation initiated its first round of legal action in Taiwan against unauthorised DVD-ROM manufacturers without patent licences. After hearing the case⁽¹⁾ for one year, the IP Court ruled on June 28 2012 that the DVD-ROM products produced by the defendant, Abico FS Co Ltd (formerly known as Feng-Sheng Co), infringed Toshiba's invention Patent 098207. The court ruled that Abico must not only pay Toshiba damages of NT\$160 million (interest charged separately), but also refrain from manufacturing, offering for sale, selling, using or importing the infringing products. All infringing DVD-ROM products must be retrieved and destroyed.

The IP Court found, among other things, as follows:

- In respect of the patentee's application for a claim amendment, the civil courts may make judgments at their sole discretion;
- To determine the existence of infringement, a comparison between the DVD-ROM standard specification and the patent scope could be made; and
- Abico intentionally infringed the patent rights.

Toshiba, applied to the Intellectual Property Office for a claim amendment before filing the complaint. Even if an application has not yet been approved, the IP Court may determine the legitimacy of the application for amendment at its sole discretion during the civil trial. Since the court held that Toshiba's application for amendment complied with the Patent Act, it used the amended claims as the basis for determining the infringement issue.

Abico did not deny that its DVD-ROM products were manufactured in accordance with the industrial standard specification for DVD-ROMs (ie, DVD specifications for read-only discs). The court compared the contents of the specification with the claims of the disputed patent to determine whether there had been infringement, and confirmed that DVD-ROM products complying with the specification were covered by the disputed patent.

Toshiba had previously entrusted the licensing of the disputed patent to DVD6C. DVD6C negotiated with Abico for patent licensing. Although Abico had not agreed to sign any licence agreements, it knew of the existence of the disputed patent rights since these negotiations. Abico is also a player with knowledge in the technical fields of the disputed patent and manufactured and sold related products, so it should have conducted a precursory check of the patent rights for the techniques it planned to implement to avoid being deemed negligent. Since patent rights are managed through a system of registration and publication, and because infringement of IP rights is a common risk, to avoid infringing the IP rights of others, an enterprise must be responsible risk aware and assume a greater duty of care.

Abico claimed that the disputed patent was one of 400 patents on DVD6C's patent list; hence, the amount claimable by Toshiba should be divided by 400. However, Abico could not prove that the discs it produced used all 400 patents; nor did it prove the ratio of royalties allocated to the disputed patent and the other 399 patents. Further, the disputed patent was part of the DVD-ROM specification, its technical feature was incorporated essentially into the whole disc and could not be separated, and the discs would be valueless without it. Therefore, the disputed patent offered essential contributions to the entirety of

the discs. Abico's argument that compensation should be limited to one four-hundredth of the damages was unjustifiable.

The IP Court used the DVD sales revenue, the total disc sales revenue provided by Abico during the trial and the related figures disclosed in its annual reports to calculate the number of DVD-ROM discs sold during the period of infringement. It further calculated the average price according to unit prices of discs as admitted by Abico, and multiplied these two numbers to arrive at the amount of compensation to be paid by Abico to Toshiba. The court calculated punitive damages by doubling the compensation amount garnered during the period where Abico knowingly committed infringement. The final amount of indemnification to be borne by Abico was NT\$1.6 billion. Since Toshiba claimed only for NT\$160 million, the court awarded it a complete victory.

Further to the above case, the IP Court rendered another judgment favourable to Toshiba in September 2012,[\(2\)](#) in which a local DVD manufacturer, Infodisc Technology Co, Ltd, was also held liable for patent infringement upon the same patent.

Endnotes

(1) Judgment 2011-MinZhuanSu-61.

(2) Judgment 2011-MinZhuanSu-60.

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