

This article was published in the *International Law Office IP Newsletter* on July 29, 2013.

Intellectual Property - Taiwan

Indirect infringement of patent rights

Contributed by Lee and Li Attorneys at Law

The Patent Act stipulates that anyone who manufactures, offers to sell, sells, uses or imports patented goods will be liable for infringement. Only the individual directly conducting this behaviour will commit patent infringement under the act. In the existing Taiwan legal system, there is no concept similar to 'indirect infringement' or 'contributory infringement' found in foreign patent laws. A patent owner can only rely on the joint torts theory of the Civil Code if an attempt to claim liability is made against an indirect infringer, such as an inducing infringer or a contributory infringer.

Article 185 of the Civil Code provides that "[i]f several persons have wrongfully injured the rights of another jointly, they are jointly liable for the damage arising therefrom; instigators and helpers are deemed to be joint tortfeasors". 'Instigators' and 'helpers' instigate others to commit torts or assist others in consummating torts. The concepts of inducing infringement and contributory infringement in patent law could correspond to instigation and help under the Civil Code, respectively. Theoretically, as long as a patent owner can prove that a direct infringer and direct infringing conduct exists, and that there is causation between the indirect infringer's induction or contribution and the result of infringement, the accused indirect infringer would be held responsible for joint infringement. Further, since the Civil Code allows the rights holder to choose to claim indemnification against all joint and several debtors, or claim all or partial indemnification against one or some of the joint and several debtors, the patent owner may sue the indirect infringer without having to identify the direct infringer or list the direct infringer as a defendant.

However, since the Patent Act itself does not include the concept of indirect infringement, in past judicial practice, although the joint torts could be used, cases that simply listed indirect infringers as defendants were rare and no court expressed its opinion about the application of the law for indirect infringement of patents. During the early stage of the act's amendment, the Taiwan Intellectual Property Office (TIPO) considered whether to add an indirect infringement scheme and held a consulting meeting in October 2008 to solicit opinion. It also held an international seminar on indirect patent infringement in July 2009 and invited domestic experts and experts from the United States, Germany and Japan to discuss the topic. However, in TIPO's draft of the Patent Act amendment filed in August 2009 for the Ministry of Economic Affairs' review, indirect infringement was not included. After several reviews and revisions, the new Patent Act was promulgated in December 2011 and implemented in January 2013.

Although, the act provided no rules in this regard, after the IP Court's establishment in July 2008, it was common for a plaintiff to sue indirect infringers based on the legal principle of joint torts. By observing the court's judgments, it could be concluded that a consensus that indirect infringers would be found liable for infringement was established.

In *2010-MinZhuanSu-59* (June 14 2012) the chip products manufactured and sold by the defendant did not possess all of the technical features described in Claim 1 of the plaintiff's patent. Hence, the defendant's offer for sale of the products did not constitute patent infringement under the all-element rule. However, in the product datasheet, the defendant's instructions for use of the chips matched all of the technical features described in Claim 1. Based on the content of the datasheet, the court determined that the defendant must have at least manufactured and used a test version of the infringing goods, which constituted literal infringement under the all-element rule. Thus, the defendant was held liable for direct patent infringement for conduct of manufacture and use.

Further, the court also determined that although the plaintiff could not prove the existence of a direct infringer, since the defendant's chip products had been circulated on the market, there must be someone who had purchased and used the products according to the datasheet, which would constitute direct infringement. The defendant's action of circulating its chip products and datasheets on the market,

which caused others to directly infringe the plaintiff's patent, had constituted "joint torts by instigation or help" as stipulated in Article 185 of the Civil Code.

The IP Court cited a Supreme Court judgment (*2009-TaiShang-1790*) and considered it unnecessary for the instigator to act intentionally. As long as it negligently instigates a third party and causes the third party to infringe the rights, the instigator is liable for joint torts.

In *2012-MinZhuanShangYi-1* (June 7 2012) the products sold by the defendant consisted of a main body and a bag. A product certificate was delivered at the time of sale, which provided graphic instructions on how to combine the main body and bag to form a drain bag, and how to put stones into the bag for use. The defendant's product did not have all of the technical features described in Claim 1 of the plaintiff's patent. However, once a user filled the bag with crushed stones and combined the main body and bag together, all of the technical features of Claim 1 could be read on it.

The court viewed that instigation or help should be undertaken intentionally and cited 2003 Supreme Court judgment *2003-TaiShang-1593* and the opinions of former Justice Ze-Jien Wang, a famous scholar. The defendant argued that the graphics on the product certificate were prepared according to the design drawings published by the government in a bidding project for public infrastructure, and that the main body and bag had both originally had their respective uses. Based on such arguments, the court determined that the defendant did not know subjectively that the disputed product that it manufactured and sold implemented the essential element of Claim 1 of the plaintiff's patent; nor did it know that if the main body and bag were combined together with crushed stones in the bag, the result would fall within the scope of Claim 1. The court thus held that the defendant had no intention to help a direct infringer commit infringement. The court concluded that the defendant did not constitute infringement of the plaintiff's patent.

In *2011-MinZhuanSu-69* (May 11 2012), while the plaintiff's patented subject was a device, the products manufactured and sold by the defendant comprised computer software and therefore were not covered by the scope of the plaintiff's patent. Only when a consumer bought the defendant's product and installed it into a computer would the device fall within the patent's scope.

The court determined that since the consumer clearly had no intention to infringe the plaintiff's patent, no direct infringement existed. There was no way for the defendant to have committed joint infringement.

In *2011-MinZhuanSu-2* (March 23 2012) the plaintiff's patent was directed to a packaging structure device. The defendant granted trademark rights and copyrights in some famous cartoon images to a third party to use on certain merchandise. The third party then put the licensed images onto its packaging structure device. The plaintiff believed that the third party's packaging structure device was covered by its patent and thus sued the defendant for contributory infringement. It claimed joint infringement because the defendant refused to terminate the licence granted to the third party.

The court ruled that the third party was responsible exclusively for the design, manufacture and sale of the disputed product, and that the defendant had simply authorised the third party to use the famous images but had never authorised the use of the images on the disputed infringing products claimed by the plaintiff. There was no causation between the defendant's authorisation and the plaintiff's loss caused by the third party's infringement, and there was no intention or display of negligence. The court determined that the defendant did not infringe the plaintiff's patent.

In all of these cases, the requirements for indirect infringement liability - that there be a direct infringer and direct infringement, and that causation exist between the indirect infringer's acts and the result of the infringement - were all addressed and the court's positions were consistent. However, no conclusion was reached as to whether the instigation (inducement) or help (contribution) of the indirect infringer should be deemed intentional or merely an act of negligence. This issue will require further observation in future cases.

For further information on this topic please contact [Hsiu-Ru Chien](mailto:hrcchien@leeandli.com) at Lee and Li Attorneys at Law by telephone (+886 2 2715 3300), fax (+886 2 2713 3966) or email (hrcchien@leeandli.com).