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Patents

Amended Patent Act Enters Into Force in Taiwan

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Amendments to Taiwan's Patent Act to upgrade the existing patent system were approved by the Legislative Yuan at third reading on May 31, 2013. The amended provisions were officially announced by the president on June 11, 2013 and took effect on the same day (Article 159, para 2 of the amended Act). Prior to this, the Act was last amended on November 29, 2011, with effect from January 1, 2013. The main changes from the latest round of amendments are detailed in the following.

Two-Tier Filing

According to Article 32 of the amended Act, in the case of a "two-tier filing" (where an applicant simultaneously files an invention patent application and a utility model application for the same invention), after a selection of an invention patent is made by the applicant, the original utility model will become extinguished on the date of publication of the invention. The patent applicant must declare the two-tier filing when filing the two patent applications so as to benefit from the advantages.

Since a substantive examination is not required for a utility model application, these are normally approved within 4 months. However, it may take around 3.5 years to complete the substantive examination of an invention patent application. For a two-tier filing under the then Patent Act, if the invention patent application is deemed patentable through substantive examination, and if the patent applicant decides selects the invention patent case (to avoid double patenting issue), then the originally granted utility model patent would be deemed "non-existing" from the outset (i.e. the patent applicant does not own any right under the originally granted utility model patent). The applicant would only be entitled to protection and rights originating from the invention patent.

As a measure to better protect patent applicants' legitimate rights and interests, the Legislative Yuan has amended the Patent Act so that patent applicants may benefit from their rights with respect to utility models (before selection) and invention patents. However, as mentioned, the amended Act requires applicants to declare their "two-tier filing" when filing their patent applications. The amended Article 32 is as follows:

> "**Article 32**
> Where an applicant files an invention patent application and a utility model patent application for the same creation on the same date, the applicant must declare the above-mentioned filing nature at the time of patent filing; if the utility model patent is granted before the invention patent application is to be allowed through examination, the Patent Authority shall notify the applicant to select one patent application within a specified time period. The invention patent shall not be granted if the applicant fails to make the declaration as stated above or to make a selection within the specified time limit.
> Where the applicant selects the invention patent case according to the provision set forth in the preceding paragraph, the utility model patent right shall become extinguished on the publication date of the grant of the invention patent case.

An invention patent shall not be granted if the utility model patent has expired or has been revoked before a decision is issued on the invention patent application."

Duplication of Remedy

Considering the amendment now incorporated in Article 32, in a situation where there is an unauthorized practice of the protected invention by other persons before the grant of the invention patent, there would be a duplication of protection if a patent owner not only demands a compensation fee based on provisional protection of the concerned invention patent, but also seeks a damage award based on the originally granted utility model. As such, Article 41 was also amended, so that under the circumstances described, the patent owner must make a selection between "demanding a compensation fee" and "seeking a damages award". The amended Article 41 is as follows:

"**Article 41**

Where, after the laying open of an invention patent application, a person continues to practice the invention concerned for commercial purposes after receiving a written notice sent by the patent applicant regarding the content of the invention patent application and prior to the publication of the said patent application, the applicant of the invention patent application may, after publication of the said patent application, demand a reasonable compensation fee.

A claim referred to in the preceding paragraph can also be made where a person who knows that an invention patent application has been laid-open but continues to practice the invention for commercial purpose prior to publication of the patent application.

The right to claim as provided for in the preceding two paragraphs shall not affect the exercise of other rights. However, where an invention patent application and a utility model patent application are simultaneously filed under Article 32 and where a utility model patent is granted, the patent owner shall select between claiming a compensation fee and claiming a damages award based on the utility model patent right.

The right to claim compensation set forth in Paragraph 1 and Paragraph 2 of this Article shall become extinguished if it is not exercised within two years from the date of publication of the said invention patent."

Punitive Damages

An amendment was also made with respect to the calculation of the damages claim and punitive damages award. Through this amendment, the maximum, triple damages award against "malicious infringement" has been brought back into the Patent Act (this punitive damages award was abolished in the amendments made in 2012). The revised Article 97 is as follows:

"**Article 97**

When claiming for damages in accordance with the preceding Article, the damages can be calculated according to any of the following methods:

(1) To claim in accordance with Article 216 of the Civil Code; however, if no other method can be presented to prove the damage suffered, the owner of the invention patent may claim damages based on the amount of the balance derived by subtracting the profit earned through practice of

the patent after infringement from the profit normally expected through practice of the same patent;
(2) To claim on the basis of the profit earned by the infringer as a result of patent infringement; or
(3) To claim on the basis of the amount equivalent to the amount of *reasonable* royalty that can be collected from the practice of the invention patent under patent licensing."

As stated above, where the accused patent infringement is malicious, the court may, upon request by an injured party and depending on the actual situation, decide on a damages award the amount of which may be more than the amount of actual damage suffered. However, this award is not to exceed triple the amount of the proven damage.

Issuance of Warning Notices

A utility model only goes through a cursory examination, and no substantive examination with respect to its patentability is made before the grant of the utility model patent. To prevent an abuse by patent owners when issuing warning notices, it is necessary for the patent owners to present the "utility model patent technical reports" to serve as an objective basis for evaluation. However, from the provisions of the amended Act, it is clearly stated that "utility model patent technical reports" are not prerequisites for filing patent infringement suits. The amended Article 116 of the Patent Act states as follows:

"**Article 116**
When exercising a utility model patent, *if* the patentee fails to present a utility model patent technical report, it *must not* serve any warning."