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Patents

Taiwan Legislature Passes Third Reading of Border Measures for Patent Protection

By **Hsiu-Ru Chien** and **Hayden Cheng**, Lee and Li, Taipei;
e-mail: hrchien@leeandli.com; haydencheng@leeandli.com

The draft amendment of the Taiwan Patent Act underwent a third reading and was passed by the Legislative Yuan on January 3, 2014. The latest draft amendment adds four new provisions, including paras 1–4 of Article 97, which address “patent border protective measures”.

The Legislative Yuan also passed an ancillary resolution requiring the Executive Yuan to complete relevant implementation regulations within 2 months of the third reading and also pass the draft amendment so as to officially put the revised Patent Act into effect.

The draft amendment will incorporate patent border protective measures into the existing Patent Act. In future, if patentees suspect that imported items are infringing their patent rights, they may, as provided for currently by the Trademark Act and Copyright Act in effect in Taiwan in relation to trademarks and copyrights, provide a security bond to the Customs Administration for seizure of such items for the protection of their patents. The draft amendment also seeks to implement relevant provisions with respect to border measures for intellectual property rights under the Agreement on Trade-Related Aspects of Intellectual Property Rights.

The draft amendment covers three major issues, namely, the procedures for implementing a seizure, how a seizure is lifted, and compensation for damages.

Procedure for Implementing a Seizure

A patentee must submit an application in writing to the Customs Administration in order for a seizure to be carried out. The applicant must present the facts related to the infringement as well as provide a security bond to the Customs Administration that is equivalent to the price of the imported items after payment of tariffs or comparable value. This procedure is necessary to ensure that the applicant and the party whose goods are to be seized (“the importer”) are on an equal standing in terms of their rights. While the procedure grants the patentee a right to apply for seizure, it also gives protection to the importer against potential business losses as a result of such seizure.

After an application for the seizure of goods is accepted, customs will notify the applicant. In the event that the application conforms to regulations and a seizure is exercised, the Customs Administration will subsequently notify both the applicant and the importer in writing.

Both parties may inspect seized items provided that the confidentiality of trade secrets and other sensitive information relating to the seized items is observed at all times. This allowance for inspection is necessary to facilitate understanding of the status of the seized items by both the applicant and importer so that each party may claim its rights with respect to the seized items.

In relation to demurrage owed for storage of seized items, warehousing charges, and loading and unloading charges, if the applicant obtains a court judgment which affirms infringement of the patent, the importer will be required to bear all such expenses and charges. Conversely, if the seizure is lifted for reasons attributable to the applicant, the applicant will bear all such expenses and charges.

Procedure for Lifting a Seizure

Customs may lift a seizure of goods as a result of any of the situations specified below:

- The applicant has not instituted legal proceedings within 12 days from the date the Customs Administration issues its notification of accepting an application for seizure (note: customs may, at its own discretion, extend this period to a maximum of 24 days);
- The court has ruled against the applicant with respect to the seized items;
- The applicant voluntarily applies for the seizure to be lifted; or
- The importer furnishes a counter-security bond.

The counter-security bond means an amount equal to twice that of the security bond furnished by the applicant or comparable security. This provision is established to secure the patentee's rights and interests with respect to claiming damages from the patent infringement, as the damage award may significantly exceed the value of seized items in the event that judgment is given against the importer. It would be unfair to the patentee if the items were released from seizure and the importer did not provide comparable security.

Compensatory Damages

If the court determines that the seized items do not infringe a patent, the applicant will compensate the importer with respect to damages suffered as a result of seizure or provision of a counter-security bond. Prior to the draft amendment, customs exercised patent border measures in accordance with its *Operational Directions for Customs Authorities in Implementing Measures for Protecting the Rights and Interests of Patents, Trademarks, and Copyrights* ("the Directions"). However, under the Directions, the patentee was required to first obtain the court's preliminary injunction order as well as provide customs with many specific details — such as the time and location of the importation/exportation of the goods concerned, relevant vessel name and voyage number, and even the import/export customs' declaration number — before the customs authority could take action.

This sort of information is almost impossible to access through regular public channels. Thus, while customs previously had patent border measures on the books, the measures had little practical effect. The new amendment, however, gives the patentee the right to directly apply to the Customs Administration for seizure of suspected infringing goods, a practice consistent with that of countries such as the US, Japan, China, and Korea. However, doubts remain as to how customs will be able to judge goods to be infringing goods if the applicant is unable to furnish specific importing information, as well as how it will be able to handle technology-related disputes. The new system must undergo a subsequent period of observation and evaluation before its actual effectiveness can be fully determined.