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Intellectual Property - Taiwan

Legislative Yuan passes third reading of border measures for patent protection

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Introduction

The draft amendment of the Patent Act underwent its third reading and was passed by the Legislative Yuan on January 3 2014. This latest amendment adds four new articles, including Paragraphs 1 to 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 two months of the third reading and passing of the draft amendment, so as to officially put the revised Patent Act into effect. The latest draft amendment incorporates patent border protective measures into the existing act. In future, if a patentee suspects that imported items are infringing its patent, it can provide a security bond to the customs administration for seizure of such items for the protection of its patent, as under the Trademark Act and Copyright Act. The draft amendment also implements relevant provisions with respect to border measures for IP rights under the Agreement on Trade-Related Aspects of Intellectual Property Rights.

The draft amendment covers three major issues:

- the procedures for implementing a seizure;
- how a seizure is lifted; and
- compensation for damages.

Implementing a seizure

A patentee must submit an application in writing to Customs in order for a seizure to be carried out. The applicant must present the facts related to the infringement, and 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 the right to apply for a seizure, it also protects the importer against potential business losses as a result of the seizure.

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

Both parties may inspect seized items, provided that the confidentiality of trade secrets and other sensitive information relating to the seized items remains protected at all times. This allowance for inspection is necessary to determine the status of the seized items, so that both the applicant and the importer may claim their rights with respect to the seized items.

With respect 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, the importer must bear all such

expenses and charges. Conversely, if the seizure is lifted for reasons attributable to the applicant, the applicant must bear all such expenses and charges.

Lifting a seizure

Customs may lift a seizure of goods if:

- the applicant does not institute legal proceedings within 12 days of the date on which Customs issues notification of its acceptance of the application for seizure (Customs may, at its own discretion, extend this period to a maximum of 24 days);
- the court rules 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 is 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 importer, as the damages award may significantly exceed the value of the 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 shall compensate the importer with respect to damages suffered as a result of the seizure or provision of the counter-security bond.

Previously, 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. However, under the directions, the patentee was required first to obtain the court's preliminary injunction order, and provide Customs with many specific details (eg, the time and location of the import and export of the goods concerned, relevant vessel name and voyage number, and even the import and export customs declaration number) before Customs 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, these measures had little practical effect. However, the amendment of the Patent Act gives the patentee the right to apply directly to Customs for seizure of suspected infringing goods, a practice consistent with that in other countries (eg, the United States, Japan, China and Korea). However, doubts remain as to how Customs can judge goods to be infringing if the applicant is unable to furnish specific import information, as well as how Customs can handle technology-related disputes. The new system must undergo a subsequent period of observation and evaluation before its actual effectiveness can be fully determined.

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