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Patents

Taiwan Supreme Court Confirms Whether Infringer Has Right to be Heard When Executing Preventive Procedures

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To achieve the purpose of debt security, patentees often adopt various preventive measures when exercising their rights. Such measures include the application for a provisional attachment order — which freezes the infringer's assets to avoid transfer of property and secures the compensation claim in the future —or the application for a preliminary injunction order — which prohibits the infringer from continuing to produce or sell the infringing products, thereby avoiding further damage to the patentee. The patentee may also apply for evidence preservation of important evidence relating to the infringement or the damage caused to prevent the evidence from being altered, destroyed or lost. The evidence reserved may facilitate a patentee's evaluation of the situation and achieve the objective of preventive litigation.

Among the aforementioned preventive measures, provisional attachment and evidence preservation are normally administered based on the confidentiality principle to prevent the infringer from transferring assets or hiding important evidence beforehand, thereby ensuring a successful execution in the future. To achieve these purposes, court orders for provisional attachment or evidence preservation are not delivered to the infringer until the day of execution by means of a "surprise attack". As for a preliminary injunction, however, the suspension of related production and sales activities may cause a significant effect on the business operation of the infringer. In view of this, it has been clearly prescribed in the Code of Civil Procedure and the Intellectual Property Case Adjudication Act that, in principle, the infringer should be granted the opportunity to be heard before a court order is made.

In the event that the patentee wishes to appeal after the aforementioned application has been dismissed by the court of first instance, the appeal court will, in principle, notify the infringer to represent in the court in all circumstances including provisional attachment, evidence preservation and preliminary injunction. This is based on Article 528, para 2 of the Code of Civil Procedure, which stipulates that "[t]he appellate court shall, before issuing the ruling, accord the creditor and the debtor an opportunity to be heard."

The consequence is that, even if the appellate court has agreed with the arguments of the patentee and approved the application, the patentee has suffered from a complete loss of confidentiality, which has been considered an important issue in the process of provisional attachment and evidence preservation. To optimize the probabilities for provisional attachment or evidence preservation, patentees are, therefore, often forced to abandon the right of appeal or even seek to file a new application for provisional attachment from another court. The latter, however, is sometimes unfeasible as, under the prevailing law, the intellectual property court has been granted the primary jurisdiction over matters relating to intellectual property rights.

Provisional attachment is considered part of the preventive measures. To prevent the infringers from concealing or disposing their property before the execution of the ruling, it is of particular importance to ensure the confidentiality of the process. Pursuant to Article 132, para 1 of the Compulsory Enforcement Act,

a provisional attachment should be executed prior to or when the court order is delivered to the debtor. The same principle should likewise be applied to the appealing procedures, otherwise it would hardly be possible to fulfill the legislative objectives of provisional attachment.

Focusing on this legal issue, which has been a long-disputed topic in judicial circles and has significantly troubled patentees and other creditors, the Supreme Court finally resolved in the 12th Civil Court Conference, on August 19, 2014, that the court is no longer required to accord the infringer the opportunity to be heard in cases where it remains necessary to maintain the confidentiality of the provisional attachment process when the creditor files an appeal against the dismissed application for such actions.

With regard to the application for evidence preservation, which demands the same confidentiality requirement, the Supreme Court, however, has not yet clarified its standing. It is still difficult for the patentee to acquire any favorable evidence through the "surprise attack" of evidence preservation procedures when appealing against a dismissal by the court of the first instance.