

1998

## From Pirate King to Jungle King: Transformation of Taiwan's Intellectual Property Protection

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### Recommended Citation

Andy Y. Sun, *From Pirate King to Jungle King: Transformation of Taiwan's Intellectual Property Protection*, 9 Fordham Intell. Prop. Media & Ent. L.J. 67 (1998).

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## From Pirate King to Jungle King: Transformation of Taiwan's Intellectual Property Protection

### Cover Page Footnote

"The author especially wishes to thank Edward C. Werner for his assistance."

# ARTICLES

## From Pirate King to Jungle King: Transformation of Taiwan's Intellectual Property Protection\*

Andy Y. Sun\*\*

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\* This article is based on and expanded from a presentation at the *Intellectual Property: Japan and the New Asia* conference on October 22, 1997 in Washington, D.C., sponsored by the Japan Information Access Project. The author especially wishes to thank Edward C. Werner for his assistance. Unless stated otherwise, all Chinese characters are spelled out in accordance with the *Wade-Giles* system and all citations to the Chinese/Taiwanese law is referred to as "Article" followed by its officially designated statutory number. The original Chinese text for most of the Taiwan laws and their implementing regulations may be found in any of the commercially available LIU FA CH'UAN SHU [COMPREHENSIVE BOOK OF SIX CODES].

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## INTRODUCTION

Throughout the past two decades, the Republic of China ("Taiwan") has been notoriously dubbed by many, particularly American industry, as the "pirate kingdom" of the counterfeit world.<sup>1</sup> According to one estimate, the copyright holders in the United States alone suffered US \$669 million losses from Taiwan's pirate counterfeiting activities in 1992.<sup>2</sup> Ever since the enactment of the "Special 301" provision under American trade laws, Taiwan has been a constant on the law's "hit list".<sup>3</sup> This dubious recognition means Taiwan was either identified as a "priority foreign country," a trade partner that "has committed the most onerous or egregious acts, policies or practices" in denying "adequate and effective protection of intellectual property rights" ("IPRs"), or "fair and equitable market access to United States persons that rely upon intellectual property protection" or being placed on the "Priority Watch" list pending further investigations and consultations.<sup>4</sup>

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1. See USTR, FACT SHEET ON AIT-CCNAA UNDERSTANDING REGARDING INTELLECTUAL PROPERTY PROTECTION IN TAIWAN (June 5, 1992).

2. This is an estimate by the International Intellectual Property Alliance ("IIPA") in its 1993 annual submission to the Office of the United States Trade Representative ("USTR") and was adopted by the latter without change. See IIPA, SPECIAL 301 RECOMMENDATIONS (1993) [hereinafter 1993 SPECIAL 301 RECOMMENDATIONS]; USTR, 1993 NATIONAL TRADE ESTIMATE REPORT ON FOREIGN TRADE BARRIER 251 (1993) [hereinafter 1993 NTE REPORT].

3. USTR, FACT SHEET ON SPECIAL 301, Apr. 30, 1993, reprinted in 10 INT'L TRADE REP. (BNA) 761 (May 5, 1993).

4. See Omnibus Trade and Competitiveness Act of 1988 § 1303(b), Pub. L. 100-418, 102 Stat. 1107 (amending 19 U.S.C. § 2242 (1988)). It is commonly referred to as "Special 301" for its close relationship with the investigative and consultation proceedings under Sections 301-309 of the Trade Act. In addition, the USTR has established a "Priority Watch" list for countries whose acts, policies and practices meet some, but not all, of the criteria for priority foreign country identification. The problems of these countries warrant active work for resolution and close monitoring to determine whether further Special 301 action is needed. Also, the USTR maintains a "Watch" list of countries that warrant special attention because they maintain Intellectual Property practices or barriers to market access that are of particular concern. In 1993, the USTR further initiated a program of "immediate action plans" and "out-of-cycle" reviews under these two categories, thus putting the "Special 301" process under a year-round basis, instead of only having bilateral consulting within certain months of a year. In 1994, the USTR created yet another item — "Special Mention," a list of countries that have emerging problems or should make further improvement on Intellectual Property protection. Although not subject to "Section 301" consulting or investigations, Special Mention is meant to

Not until November 1996 was Taiwan completely removed from the list.<sup>5</sup>

A careful examination of Taiwan's experience in dealing with Intellectual Property protection reveals the remarkable means taken for a peaceful transformation. In less than twenty years, Taiwan changed from the reigning king of global piracy and counterfeiting activities to a government whose officials and businessmen now travel the world advocating a better Intellectual Property protection system, one completely without the coverage of any international convention. Taiwan has become the seventh leading export market of the United States,<sup>6</sup> the fifteenth largest economic power in the world, and has indeed become a major global economic player.<sup>7</sup> This journey, however, was anything but a straight line; rather, it encountered many frustrations involving

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serve as a warning citation. In 1995, the USTR expanded the "out-of-cycle" review category to target specific countries for specific problems to be resolved on specific dates.

5. Taiwan was put on the "Priority Watch" list in 1989, the beginning of the annual "Special 301" review (and was moved to the "Watch" list later that year because of progress it had made). It remained on the "Watch" list from then on to 1991 and was identified as a "priority foreign country" in 1992, the worst category. It was placed on the "Priority Watch" list (under the "immediate action plan", the second worst category) in 1993; the "Watch" list from 1994 to 1995; and, the "Special Mention" list in 1996. It was finally and completely removed from the Special 301 list on November 12, 1996. See Andy Y. Sun, *The Prospect for a Dispute Settlement Mechanism under the World Trade Organization — International Intellectual Property and Trade Disputes*, reprinted in *INTELLECTUAL PROPERTY PROTECTION IN THE ASIAN-PACIFIC REGION: A COMPARATIVE STUDY, OCCASIONAL PAPERS/REPRINT SERIES IN CONTEMPORARY ASIAN STUDIES 153-83* (Paul C. B. Liu & Andy Y. Sun eds., Univ. Maryland School of Law 1996). See also Paul C. B. Liu, *U.S. Industry's Influence on Intellectual Property Negotiations and Special 301 Actions*, 13 U.C.L.A. PAC. BASIN L. J. 87, 113-14 (1994); IIPA, *SPECIAL 301 RECOMMENDATIONS* (1997) [hereinafter 1997 SPECIAL 301 RECOMMENDATIONS].

6. See 1997 NTE REPORT, *supra* note 2, at 349.

7. See BUREAU OF COMPTROLLER, EXECUTIVE YUAN, KUO CH'IN T'UNG CHI T'UNG PAO [GENERAL REPORT ON THE STATE OF NATIONS AND ECONOMIC ANALYSIS] (1996). This is based on WTO's total trade volume (import and export) statistics of 1995. In addition, the Geneva-based World Economic Tribune ranked Taiwan's overall international economic competitiveness at number eight out of fifty-three nations in its latest survey, up one notch from the 1996 survey. See *Taiwan's Eco. Competitiveness Ranked 8th Highest in World*, TRADEWINDS, Sept. 1, 1997. According to a survey by the U.S.-based Business Environment Risk Intelligence, Taiwan and Japan stand as the third most profitable economies among 50 areas worldwide. See Deborah Shen, *Taiwan Keeps High Rank in Corporate Investment*, FREE CHINA J., Apr. 11, 1996. Taiwan's gross national product ranks 19th in the world at \$265 billion, and per capita income ranks 25th at \$12,500. Taiwan's foreign trade totals \$215 billion.

struggles between different interest groups and at times, violent protests, all in the name of preserving Chinese cultural values with Taiwan's national economic interests. But once the dust settled, the counterfeiters were clearly on the run, and Taiwan's intellectual property industry now enjoys a tremendous boom. Taiwan could be seen as a shining-knight, waving the banner of international intellectual property protection, while remaining a pariah within the international intellectual property community. So how did Taiwan succeed in its intellectual property reforms and what is their substance? What are the outstanding, unresolved and most pressing issues? What are the challenges ahead? And what can other countries learn from Taiwan's experiences?

This Article analyzes Taiwan's intellectual property reform. Part I examines Taiwan's path taken in reforming its intellectual property law and practice, and the influence of external, internal, and international factors. Part II reviews Taiwan's intellectual property protection and pending reform. Part III explores the future challenges facing Taiwan. This Article concludes that Taiwan's efforts and experiences in reforming its intellectual property law and practice provides at least several important lessons for the global community, which may prove extremely valuable for those nations involved in intellectual property reform and protection.



## I. TAIWAN'S REFORM PATH

### A. *External Factors: Bilateral Interactions with the United States and Other States*

For the past thirty years, political difficulties have left Taiwan almost completely out of the international arena.<sup>8</sup> This ostracism also reflected on Taiwan's inability to seek Intellectual Property protection under any international convention. As a result, Taiwan had no choice but to rely exclusively on bilateral agreements for international benefits. In this regard, the United States is by far the single most influential player in shaping Taiwan's Intellectual Property policies and reforms.

American concerns over Intellectual Property protection in China date back to the turn of the twentieth century, when the Ch'ing Dynasty was in power.<sup>9</sup> After World War II, the United

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8. As of the end of 1996, only thirty states maintained diplomatic relations with Taiwan, and most of them do not carry significant weight in the international community. Meanwhile, South Africa has announced that it would sever its official ties with Taiwan at the end of 1997, dealing yet another blow to Taiwan's already diminishing international status. This downward trend began when the United Nations' General Assembly passed a resolution on October 25, 1971 ousting Taiwan while recognizing the government of the Peoples' Republic of China ("PRC") as the sole legitimate occupant of the seat that represents China. See G.A. Res. 2758, U.N. GAOR, 26th Sess., Supp. No. 29, at 358, U.N. Doc. A/L. 630, & Add. 1-2 (1971). The United States ceased its official recognition of Taiwan on January 1, 1979, while establishing formal diplomatic relations with PRC simultaneously. See *Joint Communiqué on the Establishment of Diplomatic Relations between the United States of America and the People's Republic of China*, 79 DEP'T ST. BULL., Jan. 1979, at 25; Exec. Order No. 12,143, 44 Fed. Reg. 37,191 (1979); and Exec. Order No. 13,014, 61 Fed. Reg. 42,963 (1996). Note, however, that Taiwan does maintain "substantive" relations short of *de jure* recognition with most of the countries in the world. Thus, the "unofficial" representation of the United States government in Taiwan is the American Institute in Taiwan ("AIT") and Taiwan's "unofficial" representation in the United States is the Taipei Economic and Cultural Representative Office ("TECRO"), formerly the Coordination Council for North American Affairs, ("CCNAA"). Both have the authority to issue visas and conclude agreements with each other on behalf of their respective governments.

9. See Treaty for the Extension of Commercial Relations, Oct. 8, 1903, U.S.-P.R.C., reprinted in 1 TREATIES, CONVENTIONS, ETC. BETWEEN CHINA AND FOREIGN STATES 745, 752-54 (2d ed. 1917). Note that Article IX was set out to afford protection of United States trademarks and Article X for patents for a limited term, although no registration mechanism was provided. Whereas Article XXI specified a ten-year term for copyright

States and China entered into a Friendship, Commerce and Navigation Treaty ("FCN") when the Nationalist government, Republic of China, still controlled both the Mainland and Taiwan.<sup>10</sup> When the United States switched diplomatic recognition of Taiwan to the government of the People's Republic of China ("PRC") in 1979, Congress enacted the Taiwan Relations Act, ensuring that all previous treaties and agreements between the United States and Taiwan remained, unless and until legally terminated. Subsequently, both sides entered into five administrative agreements on Intellectual Property issues, each of which impacted directly on Taiwan's domestic legislation, resulting in significant reform for Taiwan's Intellectual Property protection.<sup>11</sup>

Taiwan's export growth directly generates its economic growth.<sup>12</sup> The ability of the United States to influence Taiwan's Intellectual Property reform stems from Taiwan's significant trade surplus to the United States for many years.<sup>13</sup> In fact, until re-

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protection on a reciprocal basis. The same article also granted elaborate rights for the Chinese to translate English into Chinese without being subject to royalty payment or infringement actions.

10. See Treaty of Friendship, Commerce and Navigation, Nov. 4, 1946, U.S.-Taiwan, art. IX, 63 Stat. 1299 (1949). Article IX specifically calls for adequate and effective protection of patents, trademarks, trade names, and other literary, artistic and industrial property such as copyrights.

11. The agreements are: Agreement Concerning the Protection and Enforcement of Rights in Audiovisual Works (1989), entered into force June 27, 1989 [hereinafter 1989 IPR Agreement]; Understanding Concerning the Protection of Intellectual Property Rights (1992), entered into force June 5, 1992 [hereinafter 1992 IPR Understanding]; Agreement for the Protection of Trademarks (1993), entered into force April 15, 1993; Agreement for the Protection of Copyrights (1993), entered into force July 16, 1993 [hereinafter 1993 Copyright Agreement]; and, Memorandum of Understanding between the Taipei Economic and Cultural Representative Office in the United States and the American Institute in Taiwan on Patent and Trademark Filing Priority (1996), entered into force April 10, 1996 [hereinafter 1996 IPR MOU]. See American Institute in Taiwan, List of Agreements Concluded between the American Institute in Taiwan and the Taipei Economic and Cultural Representative Office in the United States, 60 Fed. Reg. 42,159-02 (1995).

12. For detailed discussions on Taiwan's economy and trade as well as the problems confronting its growth, see CONFLICT AMONG NATIONS: TRADE POLICIES IN THE 1990S 271-330 (Thomas R. Howell et al. eds., 1992).

13. There is also an historic reason for Taiwan's close and strong dependency on the United States. After the Nationalist government's defeat in the civil war in 1949 and retreat to the island of Taiwan, the United States was the first to provide the much needed aid which eventually revitalized the local economy. From 1950 to 1968, the year the aid

cently, the United States has consistently been Taiwan's largest export market.<sup>14</sup> Although this situation changed when Taiwan shifted its export market focus to Mainland China, and elsewhere, the Taiwanese economy still depends heavily on the health of the American economy. This relationship gives the USTR much needed ammunition and strong leverage in its bilateral trade negotiations with Taiwan.

The United States is not alone, however, in this trade situation. Experience shows that Japan, the European Union which is formerly the European Common Market, and other countries, will likely wait until results have been reached in Sino-American negotiations, then quickly jump in and demand the same, which makes Taiwan's global concession almost inevitable—at least as far as trade and Intellectual Property protection are concerned.<sup>15</sup>

For most people in Taiwan, the psychological fear of unilateral trade retaliation is very real. Any likelihood of a serious, direct blow to its domestic economy, with virtually no available defense or counter-measure, in light of the "Special 301" sanctions from the United States, exposes Taiwan's vulnerable economic infrastructure, and frustrates the local public. The positive effect is that hundreds of well-publicized reports and comments by the local media eventually brought enough pressure to bend the government's knee, forcing it to take drastic measures, reforming the Intellectual Property laws under a rigid timeframe set by American trade negotiators.<sup>16</sup> The negative effect, however, is a growing

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program ended, Taiwan received a total of US \$1.55 billion in assistance. See CHINA TIMES EDITORIAL, Sept. 26, 1986, at 2 (Chinese edition).

14. According to United States government statistics (which tend to be higher than Taiwan's calculation), the trade deficit with Taiwan was \$9.8 billion in 1991, \$9.4 billion in 1992, \$8.9 billion in 1993, \$9.6 billion in 1994, \$9.7 billion in 1995 and \$11.5 billion in 1996, making Taiwan more vulnerable to potential United States unilateral trade sanctions should there be a dispute. See USTR, 1996 NATIONAL TRADE ESTIMATE REPORT ON FOREIGN TRADE BARRIER 322 (1996) [hereinafter 1996 NTE REPORT].

15. See Mitchell A. Silk, *Legal Efforts of the United States and the Republic of China on Taiwan at Controlling the Transnational Flow of Commercial Counterfeit Goods*, in 5 CHINESE YEARBOOK OF INTERNATIONAL LAW AND AFFAIRS 90-149 (1985).

16. See, e.g., LEGISLATIVE YUAN OF THE REPUBLIC OF CHINA, THE SINO-AMERICA TRADE, 6 CHINESE LEGIS. NEWS SERIES (Dec. 1986) (compiling a comprehensive collection of media reports in Taiwan on those issues and their impact on the government); LEGISLATIVE YUAN OF THE REPUBLIC OF CHINA, INTELLECTUAL PROPERTY RIGHTS, 2

public frustration toward the Taiwanese government and an anti-American sentiment that certainly will not help both sides to resolve outstanding trade issues and disputes.

*B. Internal Factors: Self-awareness, Self-image and Self-interests.*

As a newly industrialized country, it is not surprising that Taiwan initially resisted the idea of providing more Intellectual Property protection, fearing the opening of the floodgates, and a saturation of foreign products in its domestic market. Pointing to American and Japanese histories, many argued that piracy and counterfeiting, which may not be clearly distinguishable from imitation, inevitably justified giving a less developed country the time, tools, and competitive edge to develop its own commercial industry.<sup>17</sup>

Truthfully, however, a history of piracy and counterfeiting severely tarnished Taiwan's international reputation. Aside from vocalizing social and economic damage to their respective industries, affected manufacturers, both domestic and foreign, have expressed extreme dissatisfaction with the way in which the government of Taiwan has been handling the situation. Most complaints focus on the inadequacies of existing Intellectual Property protection laws, the denial of juridical status to foreign corporations, and the general lack of enforcement of the existing law.<sup>18</sup> It did not take long

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CHINESE LEGIS. NEWS SERIES (May 1986) (same).

17. See BOARD OF FOREIGN TRADE & MINISTRY OF ECONOMIC AFFAIRS, INTELLECTUAL PROPERTY RIGHTS PROTECTION: A REPUBLIC OF CHINA PROSPECTIVE (1983) [hereinafter A REPUBLIC OF CHINA PROSPECTIVE]. This document asserted that "[t]he R.O.C. government has viewed imitation as a necessary process in the evolution of human civilization and believed that commercial counterfeiting is an inevitable phenomena in most developing countries . . ." *Id.* This attitude quickly changed toward support for an effective legal protection of Intellectual Property in the following years, however. For a detailed illustration, see BOARD OF FOREIGN TRADE & MINISTRY OF ECONOMIC AFFAIRS, R.O.C. EFFORTS AND ACCOMPLISHMENTS IN THE PROTECTION OF INTELLECTUAL PROPERTIES (1985) [hereinafter R.O.C. EFFORTS AND ACCOMPLISHMENTS]; see also EDWARD S. YAMBRUSIC, TRADE-BASED APPROACHES TO THE PROTECTION OF INTELLECTUAL PROPERTY 13-14 (1992); WILLIAM P. ALFORD, TO STEAL A BOOK IS AN ELEGANT OFFENSE: INTELLECTUAL PROPERTY LAW IN CHINESE CIVILIZATION 46 (1995); and, PAUL GOLDSTEIN, COPYRIGHT'S HIGHWAY 182 (1994).

18. See Silk, *supra* note 15, at 110; Michael M. Hickman, Comment, *Protecting In-*

before the political and business leadership in Taiwan realized that something must be done quickly to change this negative image, and that reform would benefit Taiwan's indigenous industry more than simply granting favorable treatment to foreign goods and demands.<sup>19</sup> This benefit also results from Taiwan's need for foreign investment and a strengthened domestic industrial base, especially from the high-technology arena, which bolstered its self-confidence by competing fairly in the global market.<sup>20</sup>

Following the growth of Taiwan's domestic high-technology industry, a more institutionalized and cohesive effort is emerging on Intellectual Property awareness, education, exchange, and lobbying.<sup>21</sup> On the lobbying front, industry groups forged a well-organized *ad hoc* alliance in 1993 and effectively persuaded the legislators to repeal a provision in Taiwanese Patent Law that imposes prison terms on unauthorized manufacturing of inventions. This alliance occurred despite strong objections from the Taiwan Executive Yuan, and a hard push the United States for an even more severe criminal penalty on patent infringement.<sup>22</sup> Similar

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*Intellectual Property in Taiwan — Non-recognized United States Corporations and Their Right of Access to Courts*, 60 WASH. L. REV. 117, 140 (1984). This issue is effectively resolved by the passage of Article 47 of the Fair Trade Law of 1991 (Taiwan); *See infra* Part II.C. for a detailed discussion.

19. As early as November 1982, the late President Chiang Ching-kuo of Taiwan laid out the government's policy to strictly enforce and eradicate piracy and counterfeiting activities, with emphasis on imposing the maximum possible penalty on violators. The primary reason behind it was "to maintain Taiwan's international credibility and national image." *See* Vincent Siew, *Counterfeiting and Piracy Are Our Public Enemies*, CENTRAL DAILY (China), Mar. 13, 1984, at 3. Mr. Siew was then Director General of the Board of Foreign Trade ("BOFT") & Ministry of Economic Affairs ("MOEA"). He has since served as minister of MOEA, chairman of the Economic Construction Commission, chairman of the Mainland Affairs Council, and is currently premier (of the Executive Yuan).

20. *See id.* In his article, Siew asserted that pirated products constituted only a very small portion of Taiwan's over-all exports, while admitting that they could have a devastating impact on Taiwan's economic interests.

21. Examples include the Asia-Pacific Intellectual Property Association ("APIPA"); National Federation of Industries, the Intellectual Property Division; National Computer Software Alliance; National Pharmaceutical Manufacturer's Association; National Publishers' Association; the semi-governmental Industrial Technology Research Institute (ITRI); and the Institute for Information Industry (3I).

22. *See* Legislative Yuan, *Related Documents to Legislative Proposals*, Docket No. Yuan Chung 474, pertinent to Bill Nos. 4517, 694, 719-720, at 156 (July 14, 1993) (hereinafter *Related Documents*). The Executive Yuan is the equivalent of the Cabinet.

scenarios played out in the major revisions made to the Copyright Law, and in the passage of the Cable Television Law. However, in these instances, the pressure applied by the United States under the "Special 301" mandate, apparently backfired. With a growing distaste among members of the Legislative Yuan, essentially the Parliament, toward a perceived "American arrogance," Taiwan's commercial industry effectively lobbied for the passage of several provisions the USTR particularly disliked—these included an ambiguous disposition of parallel imports and a twenty percent ceiling on foreign shares or holdings in a cable television company.<sup>23</sup>

This turn of events display that although the United States may push Taiwan or any other country for legislative reform, local self-interest will eventually prevail on details once substantive statutory revisions begin. "Special 301" pressure is effective only to an extent when parties engage in serious negotiations to resolve Intellectual Property disputes. When a nation's image and self-interests are at stake, however, external pressure may only achieve a limited result, particularly when the targeted nation adopts a democratic system in which liberal-minded and nationalist legislators confront each other.<sup>24</sup> Consequently, both sides would have to work together politically and technically, in order to address each other's concerns and explore a mutually acceptable solution.

### C. *International Factors: The WIP, WTO and APEC*

Taiwan's lack of international political standing currently precludes its participation in all multilateral international conventions for Intellectual Property protection. Such conventions include the Paris Convention for the Protection of Industrial Property<sup>25</sup> (the

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23. See, e.g., Legislative Yuan, 82 OFFICIAL GAZETTE issue 48-1, at 104-200 (July 21, 1993) (discussing parallel imports).

24. See Robert E. Hudec, *Thinking About the New Section 301: Beyond Good and Evil*, in AGGRESSIVE UNILATERALISM: AMERICA'S 301 TRADE POLICY AND THE WORLD TRADING SYSTEM 113-59 (Jagdish Bhagwati & Hugh T. Patrick eds., 1990). Here the author argues that "Special 301" makes law reform demands in other countries both excessive and completely one-sided. It follows that "retaliation in support of such demands cannot be considered legitimate, even under the most tolerant standards." *Id.*, at 116.

25. See Paris Convention for the Protection of Industrial Property, Mar. 20, 1883, revised Oct. 31, 1958, art. 2, 828 U.N.T.S. 109, 115, as last revised at Stockholm, July 14, 1967, 21 U.S.T. 1583, 828 U.N.T.S. 305 [hereinafter Paris Convention].

“Paris Convention”), the Berne Convention for the Protection of Literary and Artistic Works<sup>26</sup> (the “Berne Convention”), and international treaties and conventions administered by the United Nations’ World Intellectual Property Organization (“WIPO”).<sup>27</sup> WIPO membership is open only to existing members of the Paris and Berne Conventions, and the United Nations—Taiwan belongs to none of the above categories.<sup>28</sup>

Initially, Taiwan did not seem to view its lack of participation in the international Intellectual Property community as a loss or an inconvenience. On the contrary, it had at one point tried to use this lack of standing as a way to deflect the American demand that its domestic law be revised to conform with certain international standards. However, as soon as Taiwan’s exports hit the world market, an urgent sense of inadequacy and insufficient international protection arose, and this became a major concern to its government. For example, no citizen of Taiwan may take advantage of the Patent Cooperation Treaty (“PCT”) even if he or she may reside in, or tries to file his or her first patent in, a PCT Contracting State.<sup>29</sup> This restriction means that the Taiwan patentee may only file separate patents in every country where he or she intends to receive protection. As a likely result, there will be significant increases in fees, administrative proceedings, and a greater danger of missing filing deadlines, all resulting in the loss of priority and/or even the patent itself. Even with a bilateral agreement, Taiwanese citizens may still not be able to enjoy just remedies and judicial due proc-

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26. See Berne Convention for the Protection of Literary and Artistic Works, Sept. 9, 1886, completed at Paris on May 4, 1896, revised at Berlin on Nov. 13, 1908, completed at Berne on Mar. 20, 1914, revised at Rome on June 2, 1928, at Brussels on June 26, 1948, at Stockholm on July 14, 1967, and at Paris on July 24, 1971, 1161 U.N.T.S. 3. [hereinafter Berne Convention].

27. See Convention Establishing the World Intellectual Property Organization (“WIPO”), July 14, 1967, 21 U.S.T. 1770, 828 U.N.T.S. 3 [hereinafter WIPO Treaty].

28. See *id.*, art. 5. Article 5 of the WIPO Treaty was signed on July 14, 1967 at Stockholm and was amended on September 28, 1979.

29. See Patent Cooperation Treaty, Washington, D.C., June 19, 1970, 28 U.S.T. 7645, 1160 U.N.T.S. 231 (entered into force Jan. 24, 1978) [hereinafter PCT]. PCT filing is still not possible even if a Taiwan citizen should join other applicant or applicants whose nationality is under a member state of WIPO. See *id.*, Rules 2.1, 4.5-4.7, Regulations under the Patent Cooperation Treaty, as in force from January 1, 1996.

ess on a universal level.<sup>30</sup>

The successful conclusion of the Uruguay Round multilateral trade negotiations in 1993, and the subsequent creation of the World Trade Organization ("WTO"), may finally change Taiwan's awkward isolated situation. Since WTO membership is not contingent upon being a UN member and the possibility of access is based not on an independent sovereignty but as a "separate customs territory" there might be flexibility and a much needed alternative for Taiwan to re-enter the global economic and financial community.<sup>31</sup> In particular, the Agreement on Trade Related Aspects of Intellectual Property Rights, Including Trade in Counter-

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30. A case in point is an early decision by the Taipei District Court denying Apple Computer's standing to sue, on the ground that the plaintiff was not recognized and admitted to do business in Taiwan. Apple Computer is an American corporation chartered in New York. At issue was whether the FCN Treaty between Taiwan and the United States is still effective (after the 1979 severance of diplomatic recognition with each other and as far as Taiwan is concerned), and if so, whether it is self-executing so that the plaintiff nevertheless have the necessary standing (based on Article III) regardless of its lack of formal approval to do business in Taiwan. See *Apple Computer, Inc. v. Gen-Zhan Lee*, (71) *Tzu Tzu Ti* No. 870 & 897, Criminal Judgment (Taipei Dist. Ct. 1983), *reversed and remanded*, (72) *Shang Tzu Ti* No. 806 (Taiwan High Ct. 1983). This decision immediately created tensions between the United States and Taiwan. Eventually the Taiwan High Court reversed and remanded the district court's ruling, on the ground that the FCN Treaty is effective and self-executing. Thus, Apple Computer prevailed in the end. See *Apple Computer, Inc. v. Gen-Zhan Lee*, (72) *Shang Tzu Ti* No. 806 (Taiwan High Ct. 1983). But the debate on the merits of this holding lingered within Taiwan's judicial branch. See Resolution of Legal Seminar, 1982 Winter Session, Taipei Dist. Ct. Memorandum, (72) *Pei Yuan Li Han Wen Tzu Ti* No. 9603 (Mar. 22, 1983). Apparently in an attempt to show that district court's disagreement with the high court ruling, which also formed the basis for the Taiwan High Court to review its opinion, albeit not directly rule on the same case again, but only to future cases with similar fact pattern, the high court reversed itself. Later on, Article 47 of the Fair Trade Law (1991) was enacted with the specific attempt to address this issue, stipulating that on a reciprocal basis, non-recognized foreign entities may file a complaint to the Taiwan court system for any cause of action provided in the statute, either civil and criminal. But this provision still leaves the possibility that the door to Taiwan's court may be shut should there be a lack of bilateral arrangement between the government of the foreign entity and Taiwan. This will naturally create uncertainties and tensions for both the foreign entity and Taiwan's very interest in that foreign country.

31. Final Act Embodying the Results of the Uruguay Round of Multilateral Trade Negotiations ("Uruguay Round"), art. XII, Apr. 15, 1994, 33 I.L.M. 1125 (1994) [hereinafter Final Act]. This provision directly mirrors its predecessor, Article XXXIII of the General Agreement on Tariffs and Trade (GATT) of January 1, 1948, as amended. See General Agreement on Tariffs and Trade, Oct. 30, 1947, T.I.A.S. No. 1700, 55 U.N.T.S. 187 [hereinafter GATT].



feit Goods, also known as the TRIPs Agreement,<sup>32</sup> could place Taiwan indirectly under the protection of various WIPO conventions. Therefore, Taiwan filed its request for formal accession to the former General Agreement on Tariffs and Trade ("GATT") in 1989, by using the name "The Separate Customs Territory of Taiwan, Penghu (Pescadores), Kinmen and Matsu," also to be known as "Chinese Taipei," while the Uruguay Round negotiations were under way and the outcome of GATT was not quite clear.<sup>33</sup>

An outcast in the international community for almost three decades, Taiwan pursues whatever measures it can to gain recognition again beyond the political. Along with joining other international organizations, Taiwan has clearly displayed this accession to the WTO at the forefront of its national policy. It would seem that Taiwan is calculating that promoting international visibility will mean more leverage in dealing with the PRC. Whether or not this turns out to be true remains to be seen. Ironically, instead of being pushed by any foreign state, Taiwan is now actively amending its Intellectual Property system as proof of upholding its part of the bargain.

Meanwhile, on the regional front, Taiwan is also trying to gain more visibility in the Asia Pacific Economic Cooperation ("APEC") forum and is taking a more aggressive stand in terms of Intellectual Property. Established in 1989 as an informal forum for open dialogue, the APEC has since developed into a major regional organization. Currently, eighteen "economies," soon to be

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32. See Agreement on Trade-Related Aspects of Intellectual Property Rights, Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, 33 I.L.M. 1197 (1994) [hereinafter TRIPs Agreement].

33. Note that the Republic of China or rather Taiwan, was one of the original founding members of the GATT. It pulled out of the organization (Contracting Parties) in 1950 after losing the civil war to Communist China. This most recent accession request has gone through almost all the necessary review and consultation processes but is still tabled in the WTO, pending the outcome of the PRC's accession. Despite public denial by the USTR and EU representatives, there apparently is a "gentlemen's agreement" whereby the PRC will accept the name "Chinese Taipei" for Taiwan's representative status and yet "Chinese Taipei" cannot be admitted unless and until China itself first receives accession to the organization. The PRC's own negotiations are currently stalled, making Taiwan's accession to the WTO impossible for the time being. See John Parry, *WTO: Taiwan Praised for Efforts in Forwarding Bid to Join WTO*, INT'L TRADE DAILY (BNA), Mar. 3, 1997, at D5.

twenty-one, constitute more than half of the global trade volume.<sup>34</sup> Politically and socio-economically heterogeneous, APEC has adopted the principles of consensus rule: "open regionalism" as opposed to "closed regionalism" such as the European Union ("EU") or North American Free Trade Agreement international cooperation, free trade and investment, and pragmatism. The chairmanship of the organization rotates among the members annually. In 1993, when United States chaired, the organization took a significant step forward, conducting its first Leaders Meeting in Seattle, Washington. This meeting has since become a tradition for the APEC get-together at the highest level.

Within APEC's loose structure, an Intellectual Property Group exists which consists of, but is not limited to, all eighteen commissioners, and conducts annual symposiums for the exchange of ideas. The National Bureau of Standards, or "NBS" that is Taiwan's patent and trademark office, and a sub-agency of the Ministry of Economic Affairs, or "MOEA," hosted the second Intellectual Property symposium in July 1997. A main topic of discussion was whether there should be an institutionalized region-wide patent, trademark, and copyright services. Although viewed by many within the region as merely a forum for dialogue, APEC has in recent history demonstrated its ability to wield incredible influence on global affairs. For instance, the Uruguay Round negotiations would not have successfully concluded in late 1993 but for APEC leaders' commitment to push it forward just a few weeks before.

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34. In 1989, at the initiative of then Australian Prime Minister Robert Hawke, the purpose of APEC is to foster greater economic cooperation and integration in the Pacific Rim, as well as to recognize and promote the extensive trade flows that exist across the Pacific, and within the region. Intended as an informal regional forum, APEC did not become a formal institution until September 1992. It now maintains a small secretariat in Singapore. Because of the political status of Taiwan and Hong Kong, its members are officially referred to as "economies." Currently it has 18 economies with a moratorium for further expansion before 1998. They are: Australia, six original Association of Southeast Asian Nations ("ASEAN") countries (Brunei, Indonesia, Malaysia, the Philippines, Singapore, Thailand), Canada, Chile, the People's Republic of China, Chinese Taipei (Taiwan), Hong Kong, Japan, the Republic of Korea (South Korea), Mexico, New Zealand, Papua New Guinea, and the United States. In November 1997, Peru, Russia and Vietnam joined APEC, with their membership becoming effective in 1998. Meanwhile, APEC imposed a ten-year moratorium for membership growth. See *POLITICS OF ECONOMIC COOPERATION IN THE ASIA PACIFIC REGION*, 7-11 (Kuang-sheng Liao ed., 1993).

Furthermore, APEC again demonstrated its impact with the passage of the Agreement on the Implementation of the Ministerial Declaration on Trade in Information Technology Products, also known as the International Telecommunications Agreement, or ITA, whose negotiations stalled for years and seemed to be going nowhere under the WTO platform. With the APEC's agreement to phase out all existing tariffs on telecommunication equipment by the year 2000, the WTO adopted the same measure in its first Minister's Meeting in Singapore within one month. In the realm of Intellectual Property, however, it is yet to be seen how the APEC influence might translate into a framework for better cooperation among the member economies.

## II. OVERVIEW OF TAIWAN'S INTELLECTUAL PROPERTY PROTECTION

Taiwan's statutory regime for Intellectual Property protection now by and large conforms with the TRIPs Agreement. In some areas, the regime reaches beyond the Agreement's threshold.<sup>35</sup> It should be noted that Taiwan uses a civil law jurisdiction, in which statutes and administrative rulings take precedent over court decisions, though the latter's influence has clearly increased in recent years.<sup>36</sup>

### A. Patent Law

Taiwan's Patent Law was promulgated in 1944, and entered into force on January 1, 1949. Since then, it has gone through six revisions, including a near complete over-haul in 1994, and the latest amendment of April 15, 1997 to further harmonize certain provisions with the TRIPs Agreement.<sup>37</sup> The law categorizes patents

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35. See *infra* Part II.D. for detailed illustration.

36. In theory, court rulings do not need to follow the doctrine of *stare decisis* in the civil law context. Unlike in the common law system, courts should strictly interpret the law, not to create new law, a role completely reserved for the legislature. In practice, however, decisions by the Constitutional Court (particularly those being "officially compiled"), and the Supreme Court, retain almost un-challengeable authority, even though technically they are still considered "secondary" authority, next to the statutes, administrative regulations and rule interpretations.

37. See Patent Law Amendment of April 15, 1997 (Taiwan). Note, however, the Amendment's effective date is subject to the Executive Yuan's determination. It is

into three types: invention, design, and utility model. Highlights of the current effective version, the 1994 Patent Amendment, and the 1997 Patent Law Amendment ("1997 Patent Amendment") which is pending to be effective as soon as Taiwan's accession to the WTO is realized.

### 1. Patentable Subject Matter

Food additives, beverages, new utilities, and microorganisms are now patentable subject matter. Note that unless a bilateral agreement or treaty provides otherwise, new microorganism strains still will not be granted an invention patent until one year after Taiwan becomes a contracting party to the WTO. This limitation obviously takes advantage of the allowable transition period under the TRIPs Agreement and to fulfil Taiwan's willingness to be treated as a *developed* member state, which enjoys only a one-year transition.<sup>38</sup> Note that the 1997 Patent Amendment lifted the restriction on microorganism patents sought by foreign nationals. This new provision, however, will not be in force until the Executive Yuan makes a final determination on the effective date of the entire statute' again, presumably on or after Taiwan's accession to the WTO.<sup>39</sup>

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widely understood that this new Amendment will not be fully implemented until Taiwan is formally a part of the WTO. The government is clearly trying to use this legislation as a bargaining chip to bolster its position in the on-going membership talks with the WTO and other governments.

38. See Patent Law art. 21 (1994). It provides that new animal and plant varieties, with the exception of processes for producing new plant varieties, methods of medical treatment, scientific theories, mathematical algorithm, rules or methods in sports or game playing, schemes and methods that can be implemented only through deduction of memory, or inventions in violation of public policy are all precluded from patent protection. See TRIPs Agreement, *supra* note 32, art. 65, regarding allowable transition periods.

39. See 1997 Patent Law Amendment art. 139.

## 2. Term of Protection

The law clearly adopts the first-to-file system. The term is now twenty years from the filing date for an invention patent under Article 50, ten years for a design patent under Article 109, and twelve years for a utility model under Article 100, or petite patent, as it is sometimes referred to as in other countries, with the patent right actually afforded from the date of publication. For pharmaceuticals, pesticide compositions, or manufacturing, the patentee may receive a *one-time only*, two to five year extension for an invention patent, as long as the regulatory review and approval takes more than two years to complete after publication. The extension may not exceed the period of regulatory review or five years, whichever is less under Article 51.<sup>40</sup>

Once an invention, design or utility model is prosecuted and published, the law affords a provisional or *ad interim* patent right for that invention. Such right shall be nullified *ab initio* if the patent is not granted due to filing error, inadmissibility, or opposition under Articles 50, 100, and 109.<sup>41</sup>

The 1997 Patent Amendment repeals the restrictions on the extension of pharmaceutically or agriculturally related patents sought by foreign nationals. In the future, the grant of a patent will be based on the principle of national treatment and no longer will

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40. This provision is very similar to United States law. See 35 U.S.C. § 154(b)(2) (1994). Section 154(b)(2) states that:

(b) Term extension . . . (2) Extension for appellate review.—If the issue of a patent is delayed due to appellate review by the Board of Patent Appeals and Interferences or by a Federal court and the patent is issued pursuant to a decision in the review reversing an adverse determination of patentability, the term of the patent shall be extended for a period of time but in no case more than 5 years. A patent shall not be eligible for extension under this paragraph if it is subject to a terminal disclaimer due to the issue of another patent claiming subject matter that is not patentably distinct from that under appellate review.

*Id.*

41. Conceptually this is different from the United States provisional application, which is primarily for the purpose of establishing a priority date. See 35 U.S.C. § 111(b) (1994). Section 111(b) states that “[a] provisional application for patent shall be made or authorized to be made by the inventor . . . . A provisional application shall not be entitled to the right of priority of any other application . . . or to the benefit of an earlier filing date in the United States . . . .” *Id.*

be contingent on the existence of a bilateral arrangement.

The 1997 Patent Amendment also revises Article 109 concerning a design patent's term of protection. Under the existing law, a new design patent shall commence from the publication date of its patent prosecution. Thus, the actual protection period will be less than ten years once the examination period is deducted.<sup>42</sup> The new provision will grant a twelve-year protection term from the date of filing and the patent shall commence as of the date of publication.

### 3. Scope of Rights

The 1994 Patent Amendment provides that the patentee shall have the right to preclude unauthorized *importation*, in addition to making, selling and using, of the patented goods or processes under Articles 56, 103, and 117.<sup>43</sup> The 1997 Patent Amendment also adds this exclusive right to design patents and utility models under Articles 103 and 117.

Under the existing law, the exclusive right of an invention and utility model patent does not apply to a *bona fide* licensee if the patent granted to him or her turns out to be revoked by the true patent holder and the licensee has, prior to the revocation, put that patent into practice or has completed all the preparation thereto under Articles 57(5) and 118. The 1997 Patent Amendment changes this provision by adding that "[t]he *bona fide* licensee[s] . . . shall pay reasonable royalty to the patent owner as of the date he or she receives the written notice from the patent owner, provided, however, that the licensee continues to practice the patent after the revocation [of patent through cancellation action]."<sup>44</sup>

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42. See TRIPs Agreement, *supra* note 32, art. 26(3). Here, unlike Article 33 (on patent term of protection), the language is "[t]he duration of protection available shall amount to *at least* ten years." *Id.* (emphasis added).

43. See TRIPs Agreement, *supra* note 32, art. 28. Note that the right to preclude unauthorized "offering for sale" is still not afforded under the current law. *Id.*

44. 1997 Patent Law Amendment.

#### 4. Exhaustion Doctrine

This is a rule that some or all of the exclusive rights of intellectual property are "exhausted" as to a particular item upon the first authorized sale or disposition of that item by the Intellectual Property owner or his or her licensee.<sup>45</sup> Once a patent owner or its licensee sells the patented article without restriction, that article passes beyond the exclusive rights of the patent. The first authorized sale of the patented article therefore "exhausts" the patent to the extent that an unconditional sale frees the purchaser from patent liability for use and resale of the article.<sup>46</sup> A major controversy concerning the application of this rule is whether exhaustion should be contained by a nation's border, hence the *doctrine of territoriality* or without such limitation, hence the doctrine of *international exhaustion*. The implication of either rule is tremendous. One way or another it could potentially lead to significant price fluctuation and result in structural change in the market place and the technology transfer scheme. Because nations could not settle on this point, the TRIPs Agreement eventually leaves this area open to each nation's own discretion.<sup>47</sup> Yet, the controversies by no means end there. This has in fact become one of the most contested areas in the United States-Taiwan bilateral negotiations on Intellectual Property protection. Obviously, the United States insisted that Taiwan should adopt the doctrine of territoriality. On the other hand, many people in Taiwan feel that an international exhaustion rule should be the norm, perhaps helping to reduce the price of the patented goods and benefiting consumers. As a final compromise, Article 57 of the Patent Laws provides:

The [exclusive] right conferred by an invention patent shall not apply in any of the following circumstances . . . (6)

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45. See J. THOMAS MCCARTHY, MCCARTHY'S DESK ENCYCLOPEDIA OF INTELLECTUAL PROPERTY 156 (2d ed. 1995) [hereinafter MCCARTHY'S ENCYCLOPEDIA].

46. *Id.*

47. See TRIPs Agreement, *supra* note 32, art. 6. See also Harold C. Wegner, *GRUR Vortragsabend*, presented on Oct. 24, 1995 at the Räumen des Verbandes der Chemischen Industrie e.V., Karlstraße, Germany, over the topic "Parallelimporte und der Einfluß der Japanischen Rechtsprechung dazu" for a detailed and comprehensive analysis (text in English, on file with The George Washington University Law School).

where, after a patented article made by the patentee or made with his or her consent has been sold, the article is used or re-sold. The said acts of making and selling shall not be limited to those that occurred [or are conducted] in this country . . . . The territory of sale referred to in Section 6 of this Article shall be determined by the court according to the facts involved.<sup>48</sup>

Here the legislators clearly show that they do not want to deal with this issue at this juncture and would pass the buck to the court, thus leaving the door open as to whether the doctrine of territoriality will be applicable. So far, there is no clear indication what direction the court is likely to take.<sup>49</sup>

### 5. Compulsory Licensing

The 1994 Patent Amendment limits the application of compulsory licensing to three circumstances and limits the use of license through this process to the needs of the *domestic* market: (a) non-commercial use for the purpose of (i) meeting the needs of national emergency, or (ii) promoting the public welfare; (b) when no licensing agreement can be reached within a considerable period of time notwithstanding an offer of reasonable commercial terms or conditions to the patentee; or, (c) when a patentee conducted any

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48. See also Article 118(3) for identical provisions for design patent.

49. It is likely, however, that courts will apply Articles 19(3) and 36 of the Fair Trade Law. Under these provisions, if an enterprise engages in coercion, monetary inducement, or other improper means which causes the trading counterpart of a competitor to enter into transactions with the enterprise itself, the Fair Trade Commission may issue, *ex officio*, or by filing a complaint by the parties concerned, after the investigation, and a cease and desist order. If the court finds that the enterprise did not comply with the order, it may punish the executive officer of the enterprise for up to two years of imprisonment and a fine of no more than NT \$500,000 (approximately US \$17,500). See discussion *infra* Part III.C., for detailed analysis. In addition, the enterprise may be subject to an equivalent amount of fine (Article 36). See Ministry of Justice Memorandum, *Questions Concerning the Application of Article 36 of the Fair Trade Law in the Situation of Trademark Parallel Import*, 150 MINISTRY OF JUSTICE GAZETTE, 71-74 (Dec. 31, 1992). Another development that may affect Taiwan is the Japanese Supreme Court decision on BBS Kraftfahrzeugtechnik AG v. Racimex Japan Corp. and Jap Auto Products Kabushiki Kaisha & Anor., Case No. *Heisei 7 (wo)* 1988 (July 1, 1997); *aff'g* Tokyo High Ct., AG No. 3272 of 1994 (Mar. 23, 1995) (also known as the *Aluminum Wheel* case) (adopting the "implied license" theory and permitting patent parallel imports in general unless expressly prohibited in a licensing agreement or written contract).



act deemed to have constituted unfair competition by the court or the Fair Trade Commission ("FTC") under Article 78.<sup>50</sup>

The 1997 Patent Amendment further limits the grounds on which compulsory licensing of semiconductor technology may be granted. The permissible grounds are: (a) that the licensing is for non-profit purposes or is used to promote public welfare; or, (b) that the patentee has committed unfair competition as determined by the court or the FTC.<sup>51</sup> This Amendment also permits the patent authority to revoke a compulsory license on the same prescribed legal ground where the license was first issued under Article 79.

Under the 1994 Patent Amendment, the owner of a dominated second patent, a reinvention or manufacturing process patent, may not put his or her reinvention or process into practice without the dominating, first patent owner's consent. The 1997 Patent Amendment changes this provision to conform to Article 31(1) of the TRIPs Agreement. The revision allows a dominated second patent owner to apply for a compulsory license on the ground of "failure to reach a cross licensing agreement with the dominating patent owner," and only when "the invention covered in the dominated patent involves an important technical improvement with considerable economic significance . . . ."<sup>52</sup> In addition, the right to alienate the compulsory license and the patent right owned thereby are guaranteed.

With the exception of the third situation indicated in (c) above, all of these provisions are essentially in line with the TRIPs Agreement, and despite the Taiwanese government's repeated assurance that they are to be placed on "reserve" status, so that they will not be applied except in absolutely extraordinary circumstances. The very existence of these provisions still cast quite a few doubts from the perspective of both local and American industries, and is likely to remain questionable for future United States-Taiwan trade relations.<sup>53</sup>

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50. See TRIPs Agreement, *supra* note 32, art. 31.

51. *Cf. id.*, art. 31(c). Thus the "reasonable commercial use" exception does not apply to semiconductor.

52. 1997 Patent Law Amendment

53. For example, during the legislative process of this law, many representatives of Taiwan's domestic industries were concerned about the fact that their patents may be

## 6. Presumption of Infringement on a Process Patent

The 1994 Patent Amendment provides that whenever a product was not in existence inside and outside of Taiwan before the process patent, to manufacture that product, was filed, it is presumed that a similar product manufactured by others is based on the same process under Article 91. This, of course, shifts the burden of proof to the defendant, alleged infringer, and may be rebutted by the latter. The statute further stipulates that trade secrets in this rebuttal evidence shall be fully protected.

The 1997 Patent Amendment further provides that rebuttal evidence is admitted *only* when an alleged infringer has proven that the process he or she used to manufacture the same article is different from the patented process. Additionally, the legal rights and interests pertaining to the manufacturing and trade secrets of *all* evidence, as opposed to just the rebuttal evidence as stipulated in the 1994 Patent Amendment, produced by the alleged infringer shall be protected.<sup>54</sup>

## 7. Marking and Notices

Article 82 of the 1994 Patent Amendment provides that a patentee may not claim damages for infringement in the event he or she or his or her licensee or licensees have failed to mark the patented articles or their packages. This clearly runs afoul of Article 45(1) of the TRIPs Agreement, which provides that as long as "an infringer knew or had reasonable grounds to know that he was engaged in infringing activity," the judicial authorities shall order the infringer to be liable for the right holder's damages.<sup>55</sup> Evidently, whether an infringer knew or had reasons to know of his infringing

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completely lost simply because of a finding by the FTC or a court that an aspect of their business practices is anti-competitive or unfair. Their argument was that there should be no such linkage, and if there is in fact a need for compulsory licensing, the first two grounds, as permitted by the TRIPs Agreement, are sufficient to cover the entire field with certainty. See ECONOMIC COMMITTEE OF THE LEGISLATIVE YUAN, COMPILED REFERENCE MATERIALS FOR THE BILL ON PATENT LAW AMENDMENT, TO BE JOINTLY REVIEWED AND EXAMINED BY THE ECONOMIC AND JUDICIAL COMMITTEES (May 5, 1993) [hereinafter COMPILED REFERENCE MATERIALS].

54. Cf. TRIPs Agreement, *supra* note 32, art. 34.

55. TRIPs Agreement, *supra* note 32, art. 45(1).

activity is not completely contingent on proper marking of the patented articles.<sup>56</sup> Thus the 1997 Patent Amendment to Article 82 provides that even if the marking requirement is not met, the right of damage claim will not be forfeited, as long as the infringer knew, or demonstrably had reason to know, of the existence of the patent.

#### 8. Priority of Foreign Patent

Even though Taiwan is at the verge of becoming a Contracting Party to the WTO, it will need to rely exclusively on the principle of reciprocity to arrange the international aspect of its patent system before this is realized. As a result, while the law is destined to adhere more to the spirit of national treatment, this can only happen incrementally, thus turning the current law into somewhat of a hybrid and transitional in nature.

In accordance with Article 24, as created by the 1994 Patent Amendment, as long as the foreign state to which a foreign patent belongs affords reciprocal treatment to Taiwan's patent, and the application for patent protection in Taiwan is filed within one year of the foreign filing date, then the foreign patentee may claim priority. So far Australia, Germany, Switzerland, Japan, the United States and France have established protocols with Taiwan for such reciprocal patent priority claims.<sup>57</sup> The 1997 Patent Amendment

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56. See 35 U.S.C. § 287(a) (1994); *American Med. Sys. v. Med. Eng'g Corp.*, 6 F.3d 1523 (Fed. Cir. 1993).

57. See, e.g., The 1996 IPR MOU, *supra* note 11. This agreement creates reciprocal rights in Taiwan for certain United States patent and trademark right holders. It also allows United States patentees to obtain a five-year extension for pharmaceutical and agrochemical-related patents. An extended protection term is also available to United States patent holders (for patents subject to regulatory review and approval) who (i) filed their original Taiwan patent application on or after January 23, 1994; and, (ii) seek term extensions within three months from the date of the first government approval (but not within six months prior to the expiration of the original patent term) (see Article 51, *supra* note 40). Note, however, that this reciprocal arrangement does not apply retroactively, nor does it address the protection of: (i) United States applicants who first filed a provisional application in the United States; (ii) United States applicants who first filed their basic applications in a country other than the United States; (iii) United States continuation and continuation-in-part applicants; and, (iv) PCT applicants. For trademarks, an application filed on or after December 24, 1993 may enjoy priority under this agreement. See *U.S. and Taiwan Announce Patent and Trademark Memorandum of Understanding*, 8 J. PROPRIETARY RTS. No. 6, 25 (June 1996). This is Taiwan's first such bilateral arrange-

made no attempt to change this practice.

### 9. Remedies/Criminal Penalty for Patent Infringers

The 1994 amendment repeals the prison terms for invention patent infringers, both product and process, while retaining the monetary fine portion under Articles 123 and 124.<sup>58</sup> It did, somewhat oddly, leave the prison terms for design and utility model infringers intact, making the maximum possible penalty two-year imprisonment plus a fine of NT \$150,000, approximately US \$5,000, under those circumstances under Articles 125, 126, 128 and 129. Technically, this is in full conformity with Article 61 of the TRIPs Agreement, and even goes a little beyond. Yet, as far as the USTR and many American business interests are concerned, this is understandably being viewed as a major setback.

This change reflects the force and some major concerns of Taiwan's domestic interests, which outweighs the constant United States pressure. To begin with, many scholars and industry leaders in Taiwan questioned the fundamental rationale to justify criminal penalties over a patent infringement suit in the first place. These people questioned the culpability of patent infringement and contrasted it to that of piracy in trademark and copyright. They then pointed to the United States law, which does not provide criminal sanctions at all under the circumstances, and questioned United States motives. Then industry representatives were able to lash out against some of the frequently used unfair trade tactics by local patent holders. Knowing the law is on his or her side, a patent holder often will coerce enterprises into paying a royalty, or will

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ment with a foreign state on trademarks and the fifth on patents, following Germany, Australia, Japan and Switzerland.

58. A product patent infringer may be fined up to NT \$600,000 (approximately US \$21,050) for manufacturing, NT \$60,000 (approximately US \$2,100) for sale, intent to sell (by displaying), or importation; whereas a process patent infringer may be fined up to NT \$300,000 (approximately US \$10,500) for using the process. This is in addition to the infringer's civil liability, which may include lost profit, damage to the business' goodwill and *de facto* punitive damages for no more than double the actual damage amount (Article 89). Note that in this article, the United States-New Taiwan Dollar conversion is based on the exchange rate of US \$1.00 = NT \$30.00. Since the Asian financial crisis began in mid-1997, followed by a global stock market crash on October 27, Taiwan's currency has experienced more than twenty percent devaluation against the dollar.

take advantage of the prosecutor's office to harass its competitor, frequently with the threat of injunction or search and seizure, causing serious disruption to legitimate business operations.<sup>59</sup> In light of all these questions and concerns, it is unlikely that criminal penalties will be reinstated in the foreseeable future. The USTR has apparently also reconciled this situation and no longer places it at the top of its negotiation agenda with Taiwan.

### 10. Disposition of Infringing Products

The 1997 Patent Amendment adds several new provisions, Articles 88, 105 and 122, to give the injured party, for example patentee or exclusive licensee, the right to demand destruction or other disposition of the infringing products, raw materials or articles. This complies with Article 46 of the TRIPs Agreement.

### 11. Pipeline Protection

One of the most contested issues in the United States-Taiwan Intellectual Property negotiations, as between the United States and other countries, was the United States' demand for retroactive protection of pharmaceutical products patented in the United States prior to the enactment of Taiwan's 1986 Patent Law and not marketed in Taiwan before June 1992, so called "pipeline protection."<sup>60</sup> This was because Taiwan did not consider pharmaceutical products patentable subject matter before its 1986 patent law revision. The United States pharmaceutical industry argued that it normally takes ten to twelve years for a newly patented drug to be marketable. Thus for products that have already been patented but are still within the "pipeline" before a marketing license is granted, their protection must be addressed.<sup>61</sup>

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59. See 2 COMPILED REFERENCE MATERIALS, *supra* note 53, at 139-43.

60. See USTR, 1994 NATIONAL TRADE ESTIMATE REPORT ON FOREIGN TRADE BARRIER 257 (1994) [hereinafter 1994 NTE REPORT]. Note that June 5, 1992 is the signing date of the United States-Taiwan (AIT-CCNAA) bilateral agreement on Intellectual Property protection.

61. See *Special 301 and the Fight against Trade Piracy, Hearing before the Subcomm. on International Trade of the Comm. on Finance*, 103d Cong. 48 (1993) (testimony of Harvey E. Bale, Jr.). Mr. Bale was the then Senior Vice President International of the Pharmaceutical Manufacturers Association, now renamed as the Pharmaceutical Researchers and Manufacturers Association of America, or PhARMA.

Not surprisingly, Taiwan strongly rejected this demand at the beginning, citing the lack of precedent and the fear of a major disruption to its domestic pharmaceutical manufacturing and distribution base. Taiwan also pointed to the 1991 Draft TRIPs Agreement under the Uruguay Round multilateral trade negotiations, also known as the Dunkel Text, named after then GATT Director General Arthur Dunkel, which dropped a similar proposal, demonstrating its lack of international support.<sup>62</sup> Eventually Article 2.9 of the 1992 IPR Understanding only stipulates that Taiwan will “examine seriously” the use of administrative means for retroactive protection of pharmaceutical and agrochemical products.<sup>63</sup> After several rounds of further negotiations in 1992, neither side seemed to have gained any significant ground. Finally, it was agreed that Taiwan’s newly promulgated “New Drug Monitoring System” should be used and expanded to render proper protection for non-patented United States medicine.<sup>64</sup> Neither Taiwan’s Patent Law

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62. See Draft Final Act Embodying the Results of the Uruguay Round of Multilateral Trade Negotiations, GATT Doc. No. MTN.TNC/W/FA (Dec. 20, 1991) [hereinafter Dunkel Draft]. The TRIPs Agreement would only protect medicines *on and after* its effective date, but not before. This means for developing or less developed countries, the protection may not begin until the expiration of the transitional period, which may be up to ten years. As a result, the United States pharmaceutical industry has been complaining that this is a major shortfall and pushed the USTR to launch a fresh round of bilateral negotiations around the world on “pipeline protection.” The Dunkel Text was later adopted with very minor modifications and became the official TRIPs Agreement. See TRIPs Agreement, *supra* note 32, arts. 65.1, 65.4, 66.1, and 70.8.

63. See *supra* note 11 and accompanying text. Note that both sides also agreed to begin their consultation process on this issue no later than August 31, 1992.

64. Two rounds of negotiations followed in August and December, respectively, but achieved no result. In March 1993, as the annual “Special 301” review approached, a Taiwan delegation went to the United States to engage in yet another round of talks. Both sides finally agreed to use Taiwan’s “New Drug Monitoring System” as a substitute for pipeline protection and extend its duration from three to ten years. Under this system, the National Health Administration of the Executive Yuan has the authority to designate a specific period to monitor the safety of a new drug and to raise the standards for new drug approval. This period, ten years, corresponds with the manufacturing and import license period (initial five years plus one extension). This in effect gives an approved new drug an exclusive marketing right even without the patent protection. See Pharmacy Law of Taiwan arts. 45, 47 (1993); PAUL C. B. LIU ET AL., INTELLECTUAL PROPERTY LEGISLATION AND INTERNATIONAL NEGOTIATIONS: U.S. INDUSTRY AND GOVERNMENT ROLES AND INTERACTIONS 160-164 (1993) (text in Chinese) [hereinafter LIU ET AL., INTELLECTUAL PROPERTY LEGISLATION], for detailed illustration of the United States-Taiwan Intellectual Property negotiations since 1989; see also *supra* note 60 and accom-

nor its Implementing Regulation would directly address this issue, however.

In an attempt to further clarify its position, the Executive Yuan cited this "consensus" with the United States as evidence that Taiwan has never agreed to provide, by administrative means, any monopoly or exclusive right to any foreign pharmaceutical product that has not obtained a patent in Taiwan, because the National Health Bureau would have exceeded its legal authority to do so.<sup>65</sup> Therefore, this issue is likely to reemerge later on should United States industry still feel unsatisfied with this substituting system, particularly when the speed of "new" drug approval cannot be done before the expiration of a foreign patent, rendering the product unprotectable in the generic market.

## 12. Pending Reforms

During the review process of the 1994 and 1997 patent amendments, a number of other issues were raised and bills were proposed. But, as in the United States Congress, many never see the light of the day. For instance, a Legislative Yuan Append Resolution specifically called for the adoption of an "early publication system" in two years, a pending patent applications must be published in eighteen months.<sup>66</sup> Another bill dealt with the issue of "prior user rights" but was not even discussed, perhaps in light of the controversies it could have generated and the lower priority it was given.

As indicated earlier in this article, the primary stimulation for Taiwan's recent patent reform was because of the United States "Special 301" pressure. Then a more or less self-generated urge to use patent reform as leverage for Taiwan's accession to the WTO

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panying text.

65. See Executive Yuan Memorandum, *Tai (82) Zhuan Tzu Ti* No. 22862 (July 8, 1993), which was the Premier's official written response to a member of the Legislative Yuan's inquiry on the content of the United States-Taiwan agreement on Intellectual Property protection and how it might affect the pending patent law revisions.

66. One aspect of Taiwan's legislative process is that the Executive Yuan's bill or proposal normally forms the basis of and will dominate the direction of the debate. The Legislative Yuan will occasionally "append" certain resolutions to the bill to express its interests and wishes. They are non-binding but will normally receive certain deference from the Executive Yuan. See *Related Documents*, *supra* note 22, at 6.

takes hold. Initially the 1997 Patent Amendment was a part of the draft Omnibus Act for the Partial Amendment of Legislation Relevant to the Republic of China's Accession to the WTO ("Omnibus Bill"), which pertains to amend twenty different laws. When both the Executive and Legislative Yuan realized that there remained a good number of deficiencies in various areas of the bill, and that the process would have to involve all the related committees, whose arduous bureaucracy may not be possible to overcome, they eventually decided to split the bill. Thus *two* Patent Bills were created, with Part One, more pertinent to TRIPs Agreement compliance, enacted on April 15, 1997, still not in force yet.

Part Two of the Patent Bill is presently pending legislative review. It intends to establish a national priority claim and a "lay open" practice in the examination process; both were urged by the Append Resolutions of the Legislative Yuan in 1994. Another aspect of the bill is to make necessary amendments to accommodate the Trust Law of 1996.<sup>67</sup> It does not appear the passage of this bill is within sight, taking into consideration, among other things, the huge backlog of unresolved bills and other priorities the Legislative Yuan needs to deal with, and the lack of appetite for a second round of debate on patent issues soon after Part I.

### B. *Trademark Law*

On the same date the Legislative Yuan passed the 1997 Patent Amendment, it also passed the 1997 Trademark Amendment. Since the Trademark Law came into being on January 1, 1931, it has had nine revisions, with the 1993 Trademark Amendment being the most sweeping reform.<sup>68</sup> The 1997 Trademark Amendment, like the patent amendment, serves to further bring forth Taiwan's trademark system in line with the TRIPs Agreement. Here, too, the effective date of the 1997 Trademark Amendment will be determined by the Executive Yuan at a later time, more than likely on or after Taiwan's accession to the WTO and perhaps the same date with the implementation of the 1997 Patent Amendment. The

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67. See Daisy Wang, *Focus: Patent Law Amendment Promulgated on 15 April 1997*, LEE AND LI BULLETIN, May 1997, at 1-5.

68. The very first trademark protection in China was the Trademark Charter issued by the imperial court of Ch'ing Dynasty in 1904.



current trademark law includes some important aspects explored below.

### 1. Protectable Subject Matter/Categorization and Use

Distinctiveness is the most essential criteria for trademark registration and protection. As long as any word, character, device, symbol or any combination thereof capable of enabling the average commodity purchaser to recognize the mark as an indication of the applicant's goods, thereby distinguishing such goods from those of others, or any descriptive term that have acquired distinctiveness, it is qualified to be registered as a valid trademark under Article 15. Note that "color" is not stipulated in the provision. Article 15 further prescribes that "[a]ny descriptive term, geographical name, surname, and any word, symbol, numeral or letter indicative of the grade or pattern of the goods, which has . . . become distinctive . . . in the course of trade, shall be deemed to have acquired distinctiveness . . . ."<sup>69</sup>

One can clearly see that the Law has adopted the concept of secondary meaning. However, the scope of symbols capable of being registered under this concept still seem limited. The 1997 Trademark Amendment removes the enumeration of symbols and simply states that any symbol which may otherwise not be registerable for lack of distinctiveness may be registered after all, if such symbol has been used by the applicant and has become an identification mark for the applicant's goods. This could potentially open a whole host of new applications for marks not eligible for registration in the past. Much still depends on the practice of the NBS, yet at least the amendment literally allows a combination of colors to be registerable.

The Trademark Law provides three categories for trademark registration: principal trademark, associate trademark and defensive trademark under Article 22. In addition, the Trademark Law makes a distinction among service, certification and collective marks under Articles 72 to 74. Because the law permits defensive marks, by definition, "use" of a mark is not a prerequisite for registration. However, if, with no justifiable reason, a principal or as-

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69. See TRIPs Agreement, *supra* note 32, art. 15,

sociate mark has not been in use within three years prior to the filing of renewal application, the application will be denied under Article 25.

## 2. Term of Protection

Taiwan's Trademark Law affords a ten-year protection term for all marks, commencing from the date of filing, and permits indefinite renewal, as long as the renewal application is filed within one year before expiration and "use" of the mark is established within three years immediately before the filing for renewal under Articles 24 and 25.<sup>70</sup> The 1997 Trademark Amendment shortens the filing period for renewal application to six months, but provides a six-month grace period *after* the expiration instead to allow renewal applications to be filed.

## 3. Well-known Mark Protection

The Trademark Law does not specifically spell out the qualifications and protection of well-known marks.<sup>71</sup> However, well-known marks in essence should and will receive protection against registration of the same or similar mark without the mark owner's prior consent.<sup>72</sup> There are two areas where well-known marks are indicated under the current Trademark Law: (i) that its protection covers all classifications of goods, the limitation under normal circumstances that the goods be related in nature before protection will be rendered does not apply, under Article 22; and, (ii) that any other mark which contains the portrait, name, performing name, pen-name, or alias of another person, or containing the name of a legal entity or a group, or a nationally renowned enterprise, with-

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70. See TRIPs Agreement, *supra* note 32, art. 18. Here the agreement stipulated a term of at least seven years.

71. "Well-known marks" has been used interchangeably with "famous marks" under Taiwan's legal system. Unlike Mainland China, Taiwan's law does not differentiate between the two.

72. This is based on the so called "plagiarism statute" under Article 61 in general, which stipulates the cause of action by the trademark owner against any infringement or likelihood of infringement, and the right to request destruction of infringing goods. Currently the primary tool for the protection of well-known marks is Article 20 of the Fair Trade Law, a provision taken out of the Trademark Law and "implanted" into the Fair Trade Law. See *infra* Part II.C.

out the latter's consent to the portrait or name appearing on the mark, will not be registered under Article 37(11).<sup>73</sup> This still falls short of the TRIPs requirement.<sup>74</sup>

The 1997 Trademark Amendment seeks to redress this issue. A newly added Articles 37(7) and an amended Article 61 provide protection to well-known marks against registration of similar or identical marks without consent. But it still does not spell out the criteria under which a mark may gain well-known status.<sup>75</sup>

#### 4. Exhaustion Doctrine/Parallel Imports

Article 23, Paragraph 3 of the Trademark Law expressly applies the doctrine of exhaustion. The statute, however, is silent as to whether the doctrine of territoriality will apply. The Ministry of Justice had in its rule interpretation indicated that, in a trademark dispute, parallel import *per se* does not constitute a criminal violation as stipulated in Article 62.<sup>76</sup> It may, however, violate the Fair Trade Law if the parallel importer engages in unfair methods to take the registered mark owner's business away and onto him- or herself. The Judicial Branch has evidently taken a similar approach. For example, a Taiwan High Court's resolution suggested

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73. See Trademark Law Implementing Regulation art. 32 (1993).

74. See TRIPs Agreement, *supra* note 32, art. 16.2. "In determining whether a trademark is well-known, Members shall take account of the knowledge of the trademark in the relevant sector of the public, including knowledge in the Member concerned which has been obtained as a result of the promotion of the trademark." *Id.*

75. A National Bureau of Standards ("NBS") press release expressly commits itself to the task of issuing a guideline on the identification of a mark as well-known. No specific timeframe is given, however. It appears that the Bureau has awarded a project to one university in Taiwan to study the feasibility of establishing a special registry for well-known marks, both domestic and foreign. Usually this means no rules will be proposed until the completion of the project and the adoption of the final report. This process also includes the likelihood of several public hearings. When the rules are proposed, they will still need to clear through both the Executive and Legislative Yuans. See NATIONAL BUREAU OF STANDARDS, PRESS RELEASE ON WELL-KNOWN MARKS GUIDELINES (Aug. 1997). As a result, before this issue may be finally resolved, one likely source of reference (but not necessarily influence) is the development in WIPO's Committee of Experts on Well-Known Marks. So for the time being, the best available protection is the Fair Trade Law. See WIPO International Bureau, *Memorandum and Draft Provisions on Well-Known Marks*, WKM/CE/III/2 (Aug. 20, 1997); Fair Trade Law art. 20. For more discussions, see *infra* Part III.C.

76. See *supra* note 49 and accompanying text.

that courts should adopt the functional approach in determining whether consumers may be misled by the source of origin, quality of goods or likelihood of confusion between the two products that bear the same mark.<sup>77</sup> In a recent case, the Supreme Court of Taiwan provides a detailed rationale to justify parallel import in a trademark situation:

For parallel import of genuine goods, its quality is identical to the product marketed and distributed by the trademark right owner or his or her licensee, and it causes no concern over likelihood of confusion, misidentification, or misleading of the product. Thus, it causes no harm to the goodwill of the trademark right holder or the interests of the consumers. Furthermore, it could even prevent the trademark owner from monopolizing the market with controlled pricing, thereby promoting price competition, and provide more choices to the consumers with the benefit of free competition. This does not contradict the purpose of the Trademark Law. Thus, there is no infringement as long as the act of parallel imports falls within these parameters.<sup>78</sup>

It can be inferred, therefore, that parallel import is generally permitted as long as there is no likelihood of confusion. However, when significant differences in quality or sources of origin can be shown, for example, the import product is not manufactured by a subsidiary, or unfair methods of competition are involved, parallel import is prohibited.<sup>79</sup>

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77. Resolution No. 28 (Civil), Judicial Conference of the Taiwan High Court (1991). This court is equivalent to the Federal Court of Appeals system in the United States.

78. Taiwan Meiji (Ming-chih) Co., Inc. v. San-pang Trading Co., (81) *Tai Shang Tzu Ti* No. 2444 (Civil Judgment of the Sup. Ct. Oct. 22, 1992); *see also* People v. Lin Cheng-yun, (79) *Shang Ken I Tzu Ti* No. 539 (Criminal Judgment of the Taiwan High Ct. Mar. 19, 1991) (explaining how to establish a "criminal intent" before a parallel importer may be punished). For full text translation, *see* 11 CHINESE YEARBOOK OF INTERNATIONAL LAW AND AFFAIRS 321-30 (1991-92).

79. This rule is very similar to that of the laws of the United States. *See* Wegner, *supra* note 47.

### 5. Fair Use Exception to Exclusive Rights

Article 23, Paragraph 1 of the Trademark Law creates an exception to a trademark owner's exclusive right: "[a]ny person who, *in the ordinary use*, attaches on his product his personal name, trade name, or the name, shape, quality, function, place of origin or other illustration concerning the product itself, will not be restricted by the exclusive trademark right of others, except where such use is *mala fide*."<sup>80</sup> Despite the definition offered in the implementation rule, questions remain, however, as to what exactly constitutes "ordinary use."<sup>81</sup> The 1997 Trademark Amendment intends to provide further clarification by defining "ordinary use" as "use with good faith, reasonable methods and *not* as a trademark."<sup>82</sup> It seems that this clarification should satisfy the requirement of Article 17 of the TRIPs Agreement, which recognizes fair use and allows only limited exceptions to a trademark owner's exclusive rights.

### 6. Priority of Foreign Trademark

Like the 1997 Patent Amendment, reciprocity is still the guiding principle for any foreign trademark to claim priority. Unlike the patent amendment, however, the 1997 Trademark Amendment allows *reciprocity by fact* in addition to reciprocity by agreement in claiming priority. In other words, a foreign priority claim in the future no longer is contingent upon the existence of a bilateral and reciprocal arrangement between that foreign nation and Taiwan. Priority may be established as long as that foreign nation grants similar rights to the nationals of Taiwan. Although this is still not quite the same as national treatment, it certainly will have a much

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80. Trademark Law art. 23, ¶ 1 (emphasis added).

81. See Trademark Law Implementing Regulation art. 18. "Ordinary use" is defined as "use usually adopted in the course of trade, which does not show subjective intent to use the element at issue as a trademark on the part of the user, nor would the general purchasers objectively consider such use to be trademark use." *Id.* There is also a controversy regarding whether this provision on statutory definition should really be a part of the Act that requires legislative process as opposed to a mere administrative regulation. The 1997 Trademark Amendment obviously accepted the view that this provision should have been placed in the Act itself. See TRIPs Agreement, *supra* note 32, art. 17.

82. 1997 Trademark Law Amendment.

broader coverage and could dramatically increase foreign trademark priority claims in Taiwan.

## 7. Disposition of Counterfeit Products

Current Trademark Law grants the trademark owner the right to petition for the destruction of both the products that bear the counterfeit mark and their descriptive literature. The 1997 Trademark Amendment moves another step ahead to allow the destruction of equipment or materials used in the infringing activity under Article 61, Paragraph 2.

### C. Fair Trade Law

The enactment of the Fair Trade Law in 1991 opened a whole new area of protection for consumers. It also raised a host of issues that have not been addressed heretofore, particularly in the overlapping area of Intellectual Property and antitrust or unfair competition. With the exercise of Intellectual Property rights being exclusive and monopolizing in nature, the FTC has been struggling to find a balance between consumer protection and the promotion of science and trade.<sup>83</sup>

Article 19 provides, *inter alia*, that no enterprise shall engage in any activity: (i) with the objective of injuring a specific enterprise, causing another enterprise or enterprises to discontinue supplying goods to, buying goods from, or trading with the specific enterprise; (ii) giving discriminatory treatment to another enterprise or enterprises without proper or justifiable cause; (iii) causing the trading counterpart of a competitor to enter into a transaction with the enterprise itself; (iv) causing another enterprise or enterprises to refrain from price competition, or to participate in a merger or cartel; (v) procuring another enterprise's trade secrets concerning production and/or sales, information and materials about its trading counterparts, or other relevant secrets concerning technology; or, (vi) trading with a trading counterpart, conditional upon the imposition of certain improper restrictions on the activity

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83. For detailed analysis and translated text of Taiwan's Fair Trade Law, see Neil L. Meyers, *The Republic of China's Fair Trade Law: A Brief Review of the Earliest Cases*, in 11 CHINESE YEARBOOK OF INTERNATIONAL LAW AND AFFAIRS 201-33 (1991-92).

of the counterpart's enterprise; with (iii) to (v) done by coercion, monetary inducement, or other improper means. Violators may be subject to two-year imprisonment and fine, and the enterprise is subject to a fine equal to the amount imposed on individual violators, in addition to civil damages.<sup>84</sup> The FTC will need to investigate the totality of circumstances such as market supply and demand, volume of transaction, risk factor, cost and effect, market structure and impact analyses.<sup>85</sup>

Article 20 states that in order to distinguish its products, an enterprise may *not* engage in any act that involves the use of personal name, trade name, trademark, merchandise container, packaging, label, exterior appearance or other symbol signifying the goods that is identical or similar to those of another person or employed by another enterprise *commonly known* to the relevant public, or bearing an unregistered, but well-known, foreign mark. These acts include selling, transporting, exporting or importing of the product that resembles or is likely to cause confusion to the right holder's mark. There are exceptions, however. If the use is considered ordinary or customary in the regular course of commerce *for products or services of the same category*, or the use is merely as a *bona fide* indication of the user's personal name, and not for trademark purposes, there is no violation. Violators may be punishable by up to three-year imprisonment plus a fine of no more than NT \$1 million, approximately US \$33,400, in addition to other civil liabilities.<sup>86</sup>

The FTC has shown, from the outset of its establishment, that it will base its rulings strictly on the Fair Trade Law in citing violation, regardless of whether an intellectual property right is infringed upon. In *The Brain Twisters* case, the defendant was alleged to have involved in "passing off" plaintiff's popular comic book series, "The Brain Twisters."<sup>87</sup> In an attempt to exploit

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84. See *supra* note 50 and accompanying text.

85. See Fair Trade Law Implementing Regulation arts. 23-24.

86. See Fair Trade Law art. 35.

87. See (81) *Kung Chu Tzu Ti* No. 007, Taiwan Fair Trade Commission (July 31, 1992). The term "passing off" used here refers to product substitution so as to cause consumer confusion, *i.e.*, the substitution of one brand of goods when another brand is ordered. See MCCARTHY'S ENCYCLOPEDIA, *supra* note 45, at 309-310. See also RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 4 (1995).

plaintiff's success, the defendant published its own comic book series entitled "The New Brain Twisters" which was very similar in style, format and layout to that of plaintiff's series. The defendant argued that: (a) the plaintiff had never filed copyright registration and thus should receive no protection; (b) its "new" series was under proper license from the artists who drew the cartoons therein; and, (c) the phrase "brain twister" had become a well-known phrase commonly used to mean riddle. Hence, there should be no passing off.

The FTC disagreed and ruled in favor of the plaintiff. It held that: (a) the lack of copyright, the applicable law at that time required registration as a pre-requisite to acquire copyright, was irrelevant because the issue was whether there was a violation of the Fair Trade Law not copyright infringement; (b) whether there was proper license from the artists was also irrelevant because even a valid license to publish certain works could not give license to imitate the style, format and layout of another publication which happens to contain some of that same artist's work; and, (c) the phrase "brain twister" did not rise to the level of a name commonly used to *describe a type or class of product*, thus, by adding the word "new" in front of the name of the plaintiff's book series was not justified.

Later on, the FTC did attempt to clarify the meaning of "ordinary usage" even further. To achieve the threshold of protection, a symbol or logo must be "capable of identifying and distinguishing itself as being of realistic economic value in the market" so that it will not be treated as merely ordinary usage.<sup>88</sup> The FTC will examine the totality of circumstances to determine whether a symbol, term or logo is "commonly known" to the relevant public, taking into consideration such factors as the degree of promotion, timing of market penetration, sales condition, scale of business or distribution, market share and consumers' impression. If it is commonly known, distinctiveness is found; if not, then the FTC will look into the issue of likelihood of confusion, with "ordinary usage" being a complete defense against the charge.<sup>89</sup> Note that Arti-

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88. FTC Memorandum, *Clarification No. 080: On Fair Trade Law Article 20*, (83) *Kung Fa Tzu Ti* No. 63981 (Aug. 17, 1994).

89. *See id.*; *see also* Principle in Disposing Cases Under Article 20 of the Fair Trade



cle 45 expressly precludes the application of the Fair Trade Law to properly exercised rights under the Copyright Law, Trademark Law or Patent Law and the Commission's interpretation only applies to the domestic market in Taiwan. Therefore, the FTC will not render any decision on "ordinary usage" as long as the use of the accused infringer's symbol or logo is the proper exercise of a trademark right. Yet, it remains unclear how a foreign well-known mark may be protected under this interpretation, especially for brand names and their Chinese translations.

#### D. Copyright Law

First promulgated on May 14, 1928, Taiwan's Copyright Law has since gone through nine revisions, with the amendment in 1992 being the most sweeping and its process being the most controversial thus far.<sup>90</sup> On March 31, 1992, the USTR released its annual

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Law, July 6, 1994 (resolved by the 143d Commission Conference) on the guidelines or clarification of the term "commonly known." Contrasting to the *Brain Twister* case, in *Ma-Ma-Bao-Bao Tsa Chih v. Bao-Bao Yueh Kan* [Mommy-Babies Magazine v. Babies Monthly], (81) *Kung Ts'an Tzu Ti* No. 01334 (June 23, 1992), the FTC ruled that: (a) if the name of an accused infringer's magazine is a registered trademark, then the action of the accused is clearly an exercise of that right and "ordinary usage" is not an issue; (b) if, however, the term "Bao-Bao" (*Babies*, as used in the accused magazine) is not a registered mark in Taiwan, then the Commission will examine whether the [unregistered] term "Ma-Ma-Bao-Bao" is a term or symbol that is commonly known to the relevant public, *i.e.*, whether the term will so identify the source of the product or goods that ordinary people will generate a nexus of thinking between those words or terms and the origin of the product; (c) if "Ma-Ma-Bao-Bao" is considered "commonly known" to the relevant public, the FTC will further examine the term "Bao-Bao" in the ordinary way and in its entirety to determine whether it is likely to cause confusion with the complainant's product; and, (d) in the event confusion is found, the Commission will still examine whether the use of the term nevertheless constitutes merely "an ordinary manner of the generic name customarily associated with the goods themselves in the same category" (Article 20, paragraph 2), and therefore, qualifies under the "ordinary usage" exception. Applying this analysis, the FTC ruled in favor of the accused, holding that "Bao-Bao" is a term pointing to the description of the product (magazine). Most people are able to relate this term to baby-care or pediatric information. Consequently, the term *did* rise to the level of a name commonly used to describe a type or class of products, and the complainant's mark is neither distinctive nor identifiable to the particular source of its product.

90. The first codified copyright law in China is the 1910 Ta Ch'ing Ch'ü Tso Lu Li [Copyright Law of the Great Ch'ing Dynasty]. This law was hardly put into force before the Ch'ing Dynasty was overthrown in the 1911 revolution. It did, however, greatly affect subsequent development of copyright codes in both the ROC (on Mainland and Taiwan) and PRC. See ZHENG CHENGSI, *INTELLECTUAL PROPERTY LAW*, 143 (1991) (in Chi-

NTE Report that lashed out against Taiwan's inadequate intellectual property protection.<sup>91</sup> Sensing that the worst may be forthcoming, and in an attempt to diffuse the situation, Taiwan proposed an Action Plan on April 15 to strengthen its Intellectual Property protection, specifying various measures to be taken within a specific time frame. Evidently, this did not stop the USTR from identifying Taiwan as a "priority foreign country" under "Special 301" on April 29.<sup>92</sup> With the threat of trade sanctions looming, the Legislative Yuan hastily enacted a new Copyright Law and consented to signing a bilateral agreement between Taiwan and the United States.<sup>93</sup>

### 1. Acquirement of Copyright

As a result of the bilateral agreement, a Taiwan national may acquire copyright upon the completion of his or her work under Article 13; registration is no longer a prerequisite.<sup>94</sup> In the case of a foreign national, and in the absence of a treaty or agreement, a copyright will only be granted where: (i) a work is originally published in Taiwan or eventually published in Taiwan within thirty days of original publication outside Taiwan, provided that the work of a Taiwan national is entitled to the same protection in the home

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nese).

91. See USTR, 1992 NATIONAL TRADE ESTIMATE REPORT ON FOREIGN TRADE BARRIER 234-36 (1992) [hereinafter 1992 NTE REPORT].

92. See HOUSE COMM. ON WAYS AND MEANS, 104TH CONG., 1ST SESS., OVERVIEW AND COMPILATION OF U.S. TRADE STATUTES 87 (Comm. Print 1995). See also MINISTRY OF ECONOMIC AFFAIRS, COMPREHENSIVE ACTION PLAN FOR THE PROTECTION OF INTELLECTUAL PROPERTY RIGHTS (July 1993) [hereinafter 1993 ACTION PLAN].

93. The 1992 IPR Understanding, *supra* note 11.

94. See Berne Convention, *supra* note 26, art. 5(2) (no formality rule); TRIPS Agreement, *supra* note 32, art. 9.1 (relation to Berne Convention). Note that the Berne Convention does not permit a country to impose formality to foreign works, but *does* allow the country to impose formality to its own nationals. Under Article 75, registration is necessary only in the event where a copyright owner wishes to make an effective alienation of his or her right against a third party. Unlike the American system, Taiwan's copyright law does not require registration to establish (1) the right to file an infringement suit, (2) a public record of the claim of copyright, (3) *prima facie* validity of the copyright, (4) a constructive notice of facts stated in the recordation, and (5) a broader range of remedies in an infringement suit, for example, under Article 88, recovery of statutory damages and attorney's fees are some of the available options with or without registration. Cf. 17 U.S.C.A. §§ 205(c), 408-12 (West Supp. 1999).

state of that foreign national; or, (ii) a treaty, agreement, law, or customary practice in a foreign national's home state, allows for copyright protection for works created by a Taiwan national under Article 4.

United States nationals are entitled to full copyright protection in Taiwan upon completion of their work. The 1993 United States-Taiwan Agreement on Copyright further sought to clarify and enhance protection for copyrights originating from both countries.<sup>95</sup> According to Article 1(4) of this agreement, both natural and legal entities of the United States, including judicial entities whose majority share or proprietary interests are owned by nationals or legal entities of the United States.<sup>96</sup> The current practice of the Copyright Commission allows South Korean residents in Taiwan and natural and legal persons of the United States; Hong Kong, before and after the Chinese take-over; the United Kingdom, including its colonies; and Spain to enjoy copyright protection under general conditions prescribed in the Copyright Law.<sup>97</sup>

## 2. Scope of Rights

The Copyright Law divides copyrights into economic rights and moral rights, which include the right of paternity or attribution under Article 16, the right of integrity under Article 17 and the right of public release under Article 15. Moral rights are perpetual and are not subject to alienation or inheritance under Articles 18 and 21.<sup>98</sup> With regard to economic rights, the author has the right of reproduction under Article 22, public recitation under Article 23, public broadcasting under Article 24, public presentation of his or her audiovisual work under Article 25, public performance under Article 26, public exhibition under Article 27, adaptation under Article 28, and leasing or rental right under Article 29. However, a rental right is not available to the owner of the duplication of a

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95. The 1993 Copyright Agreement, *supra* note 11.

96. See C. V. Chen & Daisy Y. Wang, *Copyright Protection in the Republic of China (Taiwan)*, PLI GLOBAL TRADEMARKS AND COPYRIGHT 382-84 (1994).

97. *Id.*; see also *Taiwan Moves to Broaden Copyright Protection*, 6 J. PROPRIETARY RTS. No. 10, 27 (1994).

98. See also Berne Convention, *supra* note 26, art. 6<sup>bis</sup>.

computer software or sound recording under Article 60.<sup>99</sup> A copyright may be freely alienable in whole or in part to others or jointly owned under Articles 36 and 40. However, the assignment or transfer of copyrights or the restriction thereof will not have *locus standi* against a third party unless the assignment is duly registered before the Copyright Commission under Article 75.<sup>100</sup>

In the case of a work made for hire, where an author creates a work in the course of his or her employment unlike the rule of most countries and unless agreed upon otherwise, the copyright, both moral and economic, will vest in the *author* under Articles 11 and 12.

### 3. Protectable Subject Matter

The Copyright Law provides that certain subject matters, such as the text of the Constitution, laws, regulations, and the governmental translation or compilation thereof, are not copyrightable. Such subjects include: slogans, commonly used symbols, terms, formulae, numerical charts, forms, note books or calendars, questions posed in various government sponsored national examinations, and oral or literary works intended as news reports for the sole purpose of delivering facts under Article 9. Article 5 further illustrates what constitute "copyrighted works," including, *inter alia*, audiovisual works, sound recordings, architectural works and computer programs. Thus, there is no doubt that the protection covers only expressions and does not extend to ideas, procedures, methods of operation or mathematical concepts as such.<sup>101</sup>

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99. See TRIPs Agreement, *supra* note 32, art. 11. Note that prior to 1993, the rights to translation and public broadcasting were excluded from copyright protection in Taiwan.

100. This provision is clearly a violation of the Berne Convention, *supra* note 26, art. 5(2), which states, *inter alia*, "[t]he enjoyment and the exercise of these rights shall not be subject to any formality . . ." as far as foreign copyrighted works or materials are concerned. *Id.* As a result, the 1998 Copyright Amendment repealed this provision.

101. See TRIPs Agreement, *supra* note 32, art. 9.2. See also Copyright Law art. 5, for a detailed illustration of what constitutes a protectable subject matter.

#### 4. Term of Protection

As indicated earlier, the term of moral right protection is perpetual. The economic right, however, will enjoy a term of the life of the author plus fifty years after his or her death. In case the right belongs to a legal entity, the term will be fifty years from the first publication of the work or the completion of the work if it had not been publicly released in the first ten years since its completion under Articles 30 to 33. The expiration of the term is always the end of that calendar year under Article 35, Paragraph 1. In case a work is released in succession or by phases, the term of its economic rights depends on whether each segment may be treated as an independent work. If so, the term will be calculated separately for each segment; otherwise, the term will begin to run if and when the release may be treated as an independent work under Article 35, Paragraph 2. If, however, the succession portion is not released until at least three years after the last publication, the term will begin to run as of the release time of the last publication under Article 35, Paragraph 3.<sup>102</sup> The term of protection for photographic, audiovisual, sound recording and computer programming works is fifty years after the publication of the work or after the completion of the work if such work was not publicly released for ten years under Article 34.<sup>103</sup>

#### 5. Reverse Engineering

The Copyright Law itself is vague about the legality of reverse engineering, especially in the area of computer software. Article 17 only provides that it would not be an infringement on the author's right of integrity if "necessary changes are made in order to make a program compatible with a particular computer, or to correct program design errors that are obvious and prevent

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102. See TRIPs Agreement, *supra* note 32, art. 12; see also Berne Convention, *supra* note 26, art. 7(1).

103. The protection granted to photographic and audio-recording works exceeds that is required under both the TRIPs Agreement and the Berne Convention, which is twenty-five years. See Berne Convention, *supra* note 26, art. 7(4); TRIPs Agreement, *supra* note 32, art. 12.

achieving the intended object of the work.”<sup>104</sup> This may be an exception, however, because courts have generally ruled unfavorably for reverse engineering in the context of copyright protection.<sup>105</sup>

## 6. Compulsory Licensing

A third party may ask the Copyright Commission to grant compulsory licensing of a copyrighted literal or musical work, or sound recording one year after its publication. The compulsory license conveys the mechanical rights to Chinese translation, public broadcasting and sound-recording production of works for public welfare purposes “mechanical rights,” as in research, education or investigation.<sup>106</sup> Licensing is granted at nine months after the request is filed, as long as no other Chinese translation has been published, at a reasonable price, or the author of the original work has not withdrawn from circulation all copies of that work during a nine month period under Article 67.

Unlike Article 31 of the TRIPs Agreement, which spells out specific terms for the allowable compulsory licenses in patent, Article 13 permits limitations and exceptions to the exclusive use of a copyright to the extent that it does “not unreasonably prejudice the legitimate interests of the right holder.”<sup>107</sup> Therefore, it remains to be seen whether these provisions will be considered to fall within the permissible parameters. The term “for educational purposes” can be interpreted so broadly and be easily abused that the copyright owner’s exclusive right may be substantially encroached.<sup>108</sup>

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104. Copyright Law art. 17.

105. See, e.g., *Da Yu Wooden Musical Instrument, Inc. v. Ya-yin Musical Instrument, Ltd.*, (78) *Tzu Tzu Ti* No. 165, Criminal Judgment (Shih-lin District Court, Taipei, Taiwan Nov. 29, 1989), *aff’d*, (79) *Shan I Tzu Ti* No. 470 (Taiwan High Ct.) (making no distinction between reverse engineering and imitation, or piracy, in ruling for the plaintiff, regarding the recordation of various synthesized digital-electronic sound waves).

106. See also 1993 Copyright Agreement, *supra* note 11, art. I, Appendix. Under the Article, Taiwan has until January 1, 2005, a transitional period within which the exclusive right of translation, as provided in Article 6 of the 1993 Copyright Agreement, may be substituted by a non-exclusive and non-transferable compulsory license to translate United States copyrighted works or materials, provided that all procedural requirements are met.

107. Copyright Law art. 13.

108. Compulsory licensing for translated works has been one of the major focal points in the latest United States-Taiwan Intellectual Property negotiations. See USTR,

## 7. Restoration of Copyright

One of the most controversial issues in the United States-Taiwan Intellectual Property negotiations was the restoration of copyrights.<sup>109</sup> Prior to the 1992 Copyright Amendment, the term of copyright protection was thirty years from the date of registration; and, prior to the Copyright Revision of July 10, 1985, the term was only 10 years from registration. Thus, for those foreign copyrightable works that were not protected in Taiwan before April 26, 1992 for lack of registration or reciprocal arrangement, their status of protection in Taiwan became a major issue. The 1992 Copyright Amendment retroactively extended, twenty years, protection to *all* foreign works published on or after July 10, 1965 whose copyright would have been still valid under the old statute under Article 108. In other words, all the works completed or published whichever comes first on or after 1965 are now subject to the provisions of the 1992 Copyright Amendment.

While the term of protection is now the life of the author plus fifty years, the United States pressed Taiwan, as a precondition to the latter's accession to the WTO, to further extend its retroactive protection to foreign works dating from fifty years before Taiwan's formal accession date to the WTO. After a series of negotiations, Taiwan finally obliged. This is apparently due to Taiwan's fear of a serious disruption to its domestic copyright registry and financial

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1996 NTE REPORT, *supra* note 14, at 322. The reason for its existence was the belief that without a compulsory licensing system for scientific works or textbooks, Taiwan might be subject to decreased access to such works. It appears Taiwan is ready to repeal this provision in its next revision of the Copyright Law because the fear of restricted access never materialized and the growing pressure to comply with the spirit, if not the written provisions, of the TRIPs Agreement. See BOARD OF FOREIGN TRADE & MINISTRY OF ECONOMIC AFFAIRS, THE LEGAL STRUCTURE OF I.P.R. PROTECTION IN THE REPUBLIC OF CHINA ON TAIWAN: AN OVERVIEW 13 (1996) [hereinafter IPR OVERVIEW].

109. See Berne Convention, *supra* note 26, art. 18. This article requires a country newly adhered to the Berne Convention (or Union) to provide protection to the pre-existing works of already adhering members unless they are already in the public domain either in their country of origin or in the newly adhering country as a result of term expiration. Because of Article 9 of the TRIPs Agreement, this rule now applies equally to *all* WTO members. Cf. 17 U.S.C.A. §104A (West Supp. 1999). See also WILLIAM F. PATRY, COPYRIGHT AND THE GATT: AN INTRODUCTION AND LEGISLATIVE HISTORY OF THE URUGUAY ROUND AGREEMENT ACT, 20-57 (1995) (discussing the impact of retroactive copyright protection in the United States).

loss to its indigenous industry.

## 8. Fair Use

The 1992 Copyright Amendment completely replaces the previous law's vague concept of fair use with the addition of twenty-three provisions on the fair use doctrine in Articles 44 to 66. These provisions set forth much clearer examples and guidance as to what may be treated as "fair use" and thus not constitute infringement. Article 65 provides the principle guidelines for such determination. Consideration must be based on the totality of circumstances, and special attention should be paid to: (i) the purpose and character of the use, such as whether the use is for non-commercial or educational purposes; (ii) the nature of the copyrighted work; (iii) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and, (iv) the effect of the use upon the potential market for or value of the copyrighted work.<sup>110</sup>

Procedurally, the application of fair use in Taiwan, a civil law jurisdiction, is somewhat different from that of the United States, a common law jurisdiction. In the American system, the doctrine is an affirmative defense, which can be raised only in the form of a responsive pleading, such as an answer. It is used as the accused infringer's response to a plaintiff's claim attacking the plaintiff's *legal* right to bring an action, after the plaintiff has established a *prima facie* case, as opposed to attacking the *truth* of a claim. In other words, even assuming that the plaintiff's claim is true, it will not succeed because of the defense.<sup>111</sup> Under Taiwan's procedural law, there is no requirement for the plaintiff to shoulder the burden of coming forward to establish a *prima facie* case; instead, the accused infringer must bring forth such defense in the preliminary pre-trial proceeding and in the form of a written pleading as soon

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110. The language of this provision is identical to that of the United States law. See 17 U.S.C.A. § 107 (West Supp. 1999). Unlike its American counterpart, Taiwan's law does not have the language that there should be no differentiation between the treatment of published and unpublished works in the claim of fair use. Even though the statutory language is the same, how Taiwan courts would interpret and apply it may well be very different from that of the United States courts.

111. See FED. R. CIVIL P. 8(c); see also BLACK'S LAW DICTIONARY 60 (6th ed. 1990). Other examples include accord and satisfaction, statute of limitation, contributory negligence, and duress in a civil proceeding.



as possible, or it may not be raised later on.<sup>112</sup>

### 9. First Sale Doctrine/Exhaustion

Another highly controversial issue between the United States and Taiwan is the legality of parallel imports of copyrighted works, whether the first sale/exhaustion doctrine is still applicable in the case of cross-border importation. In light of past abuses, the USTR insisted that Taiwan prohibit parallel imports of copyrighted works or materials into Taiwan without the copyright owner's prior authorization, except in a few non-commercial situations, such as for religious, educational, scientific and government use.<sup>113</sup>

Understandably, Taiwan's reaction was strongly negative. Its negotiators pointed to the fact that the subject matter of parallel imports is genuine work and poses no issue or threat of infringement at all; it is really a market phenomenon and cannot or should not be curtailed by political or legal means. They also referred to the cultural differences and educational benefits resulting from the permission of parallel imports.<sup>114</sup> Last, but not least, they cited Article 6 of the TRIPs Agreement, which arguably would permit a nation to accept parallel imports without any limitations. In the end, not surprisingly, the United States prevailed, and it turns out that a the major impetus for Taiwan to give in was the leadership's realization that unless they fundamentally changed this attitude and seriously engaged in the effort to eradicate piracy, Taiwan would never have the chance to foster its indigenous industry and compete effectively around the world. Creating a favorable environment probably will benefit Taiwan more than anything else.

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112. Civil Procedure Law arts. 265-267, 276 (1990).

113. See ALFORD, *supra* note 17, at 107.

114. See LIU ET AL., INTELLECTUAL PROPERTY LEGISLATION, *supra* note 64 at 160-164 see also ALFORD, *supra* note 17. Here the primary argument is that, as in the case of patents and trademarks, *supra* Part III.A.(4) and B.(4), parallel imports fundamentally help increase competition, reduce prices (particularly in the text book market) and enhance public education. Thus, the public good clearly outweighs the monetary interests of the work's author or his or her publisher. Taiwan's negotiators' did produce a projection of the price fluctuation should parallel imports actually be banned. In the end, prices for most of the imported text books, particularly the ones for college students, did jump quite significantly, in some cases, more than ten times of the price of a pirated copy, but have been stable since.

Thus, on April 28, 1993, the Legislative Yuan once again amended the Copyright Law, including the final and full ratification of the United States-Taiwan 1989 IPR Agreement, and averted another round of trade sanctions by the United States.<sup>115</sup> This time the focus was on the prohibition of parallel imports. Since then, no individual may bring into Taiwan, without proper authorization, more than *one* copy of any given copyrighted work such as a book, compact disk, laser disk, or computer program, from the United States, United Kingdom or Hong Kong. Violators may be penalized by confiscation of the excess copies and a maximum two-year imprisonment under Articles 87(4), 87<sup>bis</sup> and 93(3).<sup>116</sup>

#### 10. Export Licensing/Inspection System

Frustrated and suffering as a result of the tremendously high volume of pirated compact discs ("CDs") and computer software output from Taiwan, Taiwan's domestic and foreign industries teamed up in search of effective means to curtail piracy and counterfeiting activities, especially on exportation.<sup>117</sup> After bitter nego-

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115. This amendment occurred just two days before the USTR announced the annual "Special 301" identification. Initially Taiwan's Legislative Yuan granted its approval on the 1989 United States-Taiwan IPR Agreement on January 18, 1993, just days before the agreed deadline under the 1992 IPR Understanding (Jan. 31, 1993). It, however, reserved eight out of a total of twenty-two articles, including some key definitions, rendering the agreement meaningless. Exasperated, the USTR strongly criticized this move and threatened once again to place Taiwan as a "priority foreign country" to justify the imposition of trade sanctions. Taiwan was nevertheless identified on the "priority watch" list. See Edward G. Durney, *Copyright Law in China and Taiwan*, in PLI GLOBAL INTELLECTUAL PROPERTY SERIES 1993: PROTECTING TRADEMARKS AND COPYRIGHTS SUCCESSFUL STRATEGIES 311-35 (1993). For a detailed background illustration, see ALFORD, *supra* note 17, at 106-11.

116. See MINISTRY OF THE INTERIOR, MEMORANDUM ON THE INTERPRETATION AND ILLUSTRATION OF ARTICLES 87 AND 87<sup>bis</sup> OF THE COPYRIGHT LAW (May 5, 1993).

117. There were different estimates concerning American business' loss to Taiwan's Intellectual Property piracy. Some even claimed that in 1991 alone, more than seventy percent of the United States Custom seizure of pirated computer software and other electronic products as well as more than ninety percent of the pirated Microsoft brand software programs originated in Taiwan. Regardless of the accuracy of these figures, it is apparent that between 1989 and 1994, Taiwan was the worst Intellectual Property offender in the world. Even Taiwan's domestic Intellectual Property owners cried foul while pushing the government for meaningful reform and crackdown. See LIU ET AL., INTELLECTUAL PROPERTY LEGISLATION, *supra* note 64, at 164-68; see also ALFORD, *supra* note 17, at 104. Based on IIPA's estimate, the United States copyright industry

tations, Taiwan gave in to United States pressure. Article 2.13 of the 1992 IPR Understanding requires Taiwan to establish a database for legitimate CDs and computer software programs and a pre-exportation inspection system for possible infringement of those programs. This first-of-its-kind inspection and monitoring system, known as the Export Management System, or EMS, was meant to weed out pirated products from its source, and the system was to be in place and become effective on November 1, 1992.<sup>118</sup> Taiwan did eventually invest millions of dollars and much manpower in the construction of a state-of-the-art facility and the training of personnel to handle the task and the EMS was finally inaugurated on July 1, 1993. This system now covers computer software and its related products, CDs, cosmetics, automobile parts, and sporting goods bearing foreign trademarks.

So far, however, the result has been less than satisfactory.<sup>119</sup> Taiwan claimed that the process has hurt its domestic, especially computer software, industry because administrative delays made it even harder for Taiwan-manufactured, time-sensitive products to compete with products of other nations. Furthermore, the apparent lack of interest from businesses to register renders the entire system a waste of time and money. Consequently, Taiwan had

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lost \$150 million in 1993, \$189 million in 1994, \$145 million in 1995 and \$250 million in 1996 to Taiwan's piracy. See IIPA, SPECIAL 301 RECOMMENDATIONS 105 (1996) [hereinafter 1996 SPECIAL 301 RECOMMENDATIONS] and 1997 SPECIAL 301 RECOMMENDATIONS, *supra* note 5.

118. See Regulation on the Export Management System Concerning the Computer Software-Related Products, Board of Foreign Trade Public Notice, (85) *Mao Er Fa Tzu Ti* No. 07608 (July 9, 1996) [hereinafter EMS Rules] (assigning July 15, 1996 as the implementation date of this latest amendment). Note that the United States and all of the developed countries only have a monitoring and inspection system for *imports*, not exports. Ever since Taiwan began the implementation of this system, the United States has been pushing other countries, such as the PRC, to do the same.

119. The technical aspect of the computer software inspection under the EMS is administered by 31, a semi-governmental agency of Taiwan. On the other hand, the trademark aspect of the EMS went into effect on October 1, 1994 and is administered jointly by the BOFT and the Directorate General of Customs. As of February 1995, Taiwan has invested US \$5.6 million on the system and only 179 software programs were filed. As of February 1996, only 307 trademarks were registered with the system. See EMS Rules art. 2; Trademark Export Monitoring Operating Procedure art. 2; see also IPR OVERVIEW, *supra* note 108, at 25; *Taiwan Raps Nintendo for Being Unreasonable*, AGENCE FRANCE-PRESSE, Feb. 15, 1995, available in 1995 WL 7759484.

pushed for the abolishment of EMS, but was met with United States objection.<sup>120</sup> The United States argued that EMS should and did work; rather the cause of low registration and interest was the high registration fees, bond requirements and complicated administrative procedures. As a result, it appears the EMS is here to stay, at least for the foreseeable future, and Taiwan announced measures to reduce red tape and the registration fee on December 1, 1995. Further amendments were made to streamline the process on July 15, 1996.<sup>121</sup>

### 11. Remedies

In the case of a copyright infringement, an injured party may now take any and all of the following remedial actions against the alleged infringer:

#### Criminal actions —

The Copyright Law provides for a maximum seven-year prison sentence for a copyright infringer.<sup>122</sup> To be convicted, the intent to infringe on the part of the accused must be proven. Normally a district prosecutor will be the one to actually file criminal charges after the injured party's formal complaint is submitted and its own investigation is concluded, which may involve a police raid of the alleged infringer's factory or residence under Articles 487-512 of the Criminal Proce-

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120. See BOARD OF FOREIGN TRADE MEMORANDUM, HOW TO OBTAIN COPYRIGHT PROTECTION UNDER THE EXPORT MANAGEMENT SYSTEM (1996) [hereinafter EMS MEMO]. EMS currently monitors fourteen categories of computer-related products, and the memorandum proposed to shift and focus the monitoring work on firms that have committed prior Intellectual Property violations; see also *Taiwan Agrees to Prohibit Pirated Programs on Cable Associated Press News Service*, ASIAN WALL ST. J., Mar. 3, 1994, at 5.

121. See IPR OVERVIEW, *supra* note 108, at 25; see also EMS MEMO, *supra* note 118.

122. See Copyright Law art. 94. Note that there is neither a qualitative nor quantitative threshold to meet before criminal penalties may be imposed. Therefore, technically it takes only one infringing copy, regardless of the market value or profit intent, to trigger the penalty. The district prosecutor's office will almost inevitably have to respond and get involved as long as a formal complaint is filed. Thus, the criminal route has become a major remedial avenue for copyright holders. *Cf.*, 18 U.S.C. § 2319(b) (1994).

dure Law.<sup>123</sup>

Civil actions —

In general, a court may award a damage claim equal to the amount of actual damages and lost profit including the infringer's gained profit. If it is impossible or very difficult to prove actual damages, the court may, upon request by the plaintiff, decide the amount of the damages ranging from NT \$10,000 to NT \$500,000, approximately US \$334 to US \$16,667. In case the infringement is willful, malicious and serious in nature, the court may increase the damage award to NT one \$1 million, approximately US \$33,334. In addition, the injured party may seek a permanent injunction from the court, restraining the accused from causing further infringement under Article 88.

Customs seizure —

Article 104 specifically affords the copyright owner the right to request that the Customs Service seize the alleged infringing goods upon posting a surety bond in an amount equivalent to the value appraised by the Customs on a Duty-Paid or F.O.B. basis. The owner of the seized articles shall have the same rights as a pledgee to a pledge. The seized, pirated articles or products are subject to total destruction.

Action by the BOFT —

The Trade Law of 1993 explicitly prohibits the exportation of pirated products under Article 17. It also gives the BOFT the authority to issue a cease and desist order to the infringer for minor offenses, or to impose a fine ranging from NT \$30,000, approximately US \$1,000, to NT \$300,000, approximately US \$10,000, and to suspend the infringer's import/export license from one

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123. See Criminal Procedure Law arts. 487-512. These provisions are the exercise of a criminal court's "append jurisdiction" that integrates civil procedures and remedies into criminal proceedings.

month to one year, or to permanently revoke the license if the violation is serious under Article 28.

## 12. The 1997 Copyright Amendment

On December 30, 1997, the Legislative Yuan enacted, and President Lee Teng-hui signed into law, on January 21, 1998, the latest and the tenth revision of the Copyright Law ("1997 Copyright Amendment"). Note that this was *not* part of the "omnibus WTO compliance legislation package" in preparation for Taiwan's formal accession to the WTO.<sup>124</sup> Thus, unlike the 1997 Patent and Trademark Amendment whose implementation date is hinged upon Taiwan's formal accession to the WTO, this new Amendment becomes effective immediately after the presidential signature.

### a. Definitions and Scope of Protection

The new Copyright Amendment now recognizes performance as an independent right and is subject to independent protection under Article 7<sup>bis</sup>.<sup>125</sup> It also makes it clear that the protectable sub-

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124. See *supra* Part II.A.12 (detailing the Omnibus Act for the Partial Amendment of Legislation Relevant to the Republic of China's Accession to the WTO). Other components of the package are: Copyright Intermediary Organization Statute, Standards Law (both passed the Legislative Yuan as of the end of 1997), Government Procurement Law, Agriculture Development Statute, Tobacco and Alcohol Taxation Law, Department of National Treasury of the Ministry of Finance Organization Statute, Auditing Law (currently under committee reviews in the Legislative Yuan) and Custom Imports Taxation Regulations (still in the drafting stage). As pointed out in prior discussions, because of the difficulties in getting this whole package through the legislative process, the Executive and Legislative Yuan eventually agreed to "deconstruct" the bill back to their original individual units for legislation. Note that Taiwan has not adopted a "fast track" type of process as in the United States. Therefore, given the aggravated partisan disputes and an ever diversified composition among members of Parliament, there is virtually no hope for an ambitious and politically charged bill like the present one to get past the Legislative Yuan without major delays, fights, and amendments which would render the bill useless.

125. Unlike the American system where performance rights in sound recordings (*Droits Voisins*) are not protected, see 17 U.S.C.A. §§ 106 and 114(a), Article 22 now specifically afford the rights to cover audio, video or photographic reproductions. A new paragraph is added to Article 26 to include exemptions for rebroadcasting or *de minimis* performances (which resembles the "Aiken exemption" in 17 U.S.C.A. § 110(5)). See also 1997 Copyright Amendment arts. 41 and 55; Twentieth Century Music Corp. v. Aiken, 422 U.S. 151 (1975).

ject matter covers expressions only and does not extend to ideas, procedures, methods of operation, manufacturing or operational processes, concepts, or theories under Article 10<sup>bis</sup>.

The 1997 Copyright Amendment revises the definitions of "public broadcast" and "public performance." "Public broadcast" means "for the purpose of public reception of signals, to communicate the contents of a work with sounds or images to the public by wire or wireless diffusion system or other instrument. Any public communication of sounds or images of the original broadcast by wire or wireless [means] and made by anyone other than the original broadcaster shall also be deemed as such" under Article 3, Paragraph 1, section 7.<sup>126</sup> "Public performance" means "to communicate the contents of a work to the public at a scene by means of acting, dancing, singing, playing musical instruments or any other process."<sup>127</sup> The public communication by loudspeaker or any other instrument transmitting the original broadcast of the work shall also be deemed as such" under Article 3, Paragraph 1, section 9.<sup>128</sup> Here, the new law places what should have been part of the definition of "public broadcast" as "public performance."<sup>129</sup> Since the use of loudspeaker or any instrument for re-broadcasting is no longer considered "public broadcast," the result is that the new law has created a double standard. Whereas the scope of "public broadcast" right is in fact reduced for domestic right holders, foreign right holders may continue to enjoy a broader protection of the same right under their respective country's existing bilateral agreements with Taiwan.<sup>130</sup> On the other hand, the

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126. This addition to the 1997 Copyright Amendment seeks to comply with the Berne Convention, *supra* note 26, art. 11<sup>bis</sup> (1) (ii), as required by the TRIPs Agreement, *supra* note 32, art. 9(1).

127. 1997 Copyright Law Amendment art. 3, ¶ 1, § 7.

128. Berne Convention, *supra* note 26, art. 11<sup>bis</sup> (1)(iii).

129. One possibility for such an arrangement is that the Copyright Commission has always considered the transmission of radio programs by loud speaker in public, such as background music in a department store, as "public performance" instead of "public broadcasting." Therefore, the department store is not concerned with any broadcast licensing issue. The department store or other public facility should nevertheless seek authorization or approval from the author of the musical works and pay royalties to the author. See MINISTRY OF THE INTERIOR, 2 RECOGNIZING COPYRIGHT 16 (Mar. 1993) (text in Chinese).

130. See 1993 Copyright Agreement, *supra* note 11, art. 8(1).

definition of "public performance" now seems rather awkward since its very concept precludes the idea of "original broadcasting."<sup>131</sup> Furthermore, it could jeopardize the right of a broadcast licensee, rendering the licensee difficult, if not impossible, to collect loyalty or other damages, since the re-broadcasting or retransmission by a public facility, as in a department store, is now considered "public performance," thereby technically falls outside of the scope of the licensing agreement.

### b. Neighboring Right

In addition to granting an author "the exclusive right to publicly perform his or her oral, literary, musical, dramatic or choreographic work" under Article 26, the 1997 Copyright Amendment adds a new paragraph as an attempt to cover neighboring right for performers.<sup>132</sup> An author "shall have the exclusive right to public performance by loudspeaker or other instrument. Such right, however, does not extend to public performance by loudspeaker or other instrument *after* the reproduction or public broadcasting of that performance" under Article 26.<sup>133</sup> The legislative history of this provision points to Article 14(1) of the TRIPs Agreement, claiming that Article 14(1) limits the right of the performers to the public communication of unfixed performance or performance that has not been publicly broadcast either by loud speaker or other instrument.<sup>134</sup> In light of this smaller scope of protection than that of oral, literary, musical, dramatic and choreographic work, it is necessary to add a separate paragraph to deal with the performer's neighboring right. The legislative history further asserts that, under this new paragraph, (a) public imitations or pantomimes by

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131. See Berne Convention, *supra* note 26, art. 11.

132. Neighboring rights are "usually understood as meaning rights granted in an increasing number of countries to protect the interests of performers, producers of phonograms and broadcasting organizations in relation to their activities in connection with the public use of the authors' works, all kinds of artists' presentations or the communication to the public of events, information, and any sounds or images. The most important categories are: the right of performers to prevent fixation and direct broadcasting or communication to the public of their performances without their consent . . . ." WORLD INTELLECTUAL PROPERTY ORGANIZATION, WIPO GLOSSARY OF TERMS OF THE LAW OF COPYRIGHT AND NEIGHBORING RIGHTS, 167 (1980).

133. 1997 Copyright Law Amendment art. 26.

134. This is probably a misinterpretation of the TRIPs Agreement.



way of acting, dancing or singing constitutes no infringement of copyright; and, (b) the performer loses his or her right of public performance once fixation or reproduction or public broadcasting has taken place.<sup>135</sup> The reasoning of this rule is questionable because under the TRIPs Agreement, Berne Convention, Rome Convention and WIPO Performances and Phonograms Treaty, a performer's right *only* applies to the preclusion of unauthorized fixation, anti-bootlegging, and the distribution including reproduction and rental control of fixed performances. None of these international conventions have gone so far as to incorporate the right of "public performance," which should only belong to the author, as part of the performer's exclusive right or neighboring right as well. Additionally, by limiting the means of public performance to loud speakers or other instrument, the statute seems to suggest that there will be no infringement concerns as long as no such instrument is involved or used, which, of course, is not necessarily the case. Lastly, a bald, general declaration that public imitations or pantomimes *as a whole* and by way of acting, dancing or singing constitutes no infringement on copyright fails to observe the distinction between the performance of an existing copyrighted work, a neighboring right, and the performing works themselves, such as dramatic, dramatic-musical or musical works. Only the former involves no infringement concerns because the *performers* have no exclusive right of "public performance."

In sum, it seems that the Legislative Yuan did commit several technical errors while trying to rush the 1997 Copyright Amendment through the legislative process. Without careful reexamination and revision of the current version, the new law could indeed lead to unintended results, with the creation of a double standard

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135. See *supra* note 132 and accompanying text; International Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations art. 7(1), done at Rome, Oct. 26, 1961, 496 U.N.T.S. 43 [hereinafter Rome Convention]. Note that performers' protection not applicable by way of TRIPs Agreement compliance. See also 1993 Copyright Agreement, arts. 8(1) (public performance), 9(1) (public broadcast), *supra* note 11. These articles are modeled after the Berne Convention, art. 11. See also World Intellectual Property Organization Performances and Phonograms Treaty art. 6 adopted by Diplomatic Conference at Geneva, Dec. 20, 1996, 36 I.L.M. 76 (1997) [hereinafter Phonogram Treaty] (economic rights of performers in unfixed performances).

system and preference given to foreign right holders being the most significant outcome.

### c. No Formality Rule

One of the most significant changes under the new copyright regime is the near-complete abolishment of formality requirement, resulting in voluntary registration.<sup>136</sup> A new Article 10, previously Article 13, continues to grant copyright "upon the completion of the work."<sup>137</sup> Without any transition, however, the 1997 Copyright Amendment takes a great leap-forward and makes the new system effective immediately after implementation. Meanwhile Articles 74 to 78 of the old law are repealed.<sup>138</sup> As a result, registration is no longer needed for the assignment, transfer, or restriction of copyrights.<sup>139</sup>

An immediate concern out of this development is how it may impact copyright enforcement in Taiwan, either at the border or in court. Obviously time will tell. However, past experiences seem to suggest that this change should have little impact on a right holder's infringement suit yet probably more adverse consequences in terms of border enforcement. Note that Taiwan's copyright registration did not involve substantive examination, and yet many courts until recently still required the plaintiff to provide such registration as evidence of valid copyright. As a result, most

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136. One aspect that still requires formality is the registration of plate rights, a unique feature that survives the initial call for abolishment in the Legislative Yuan. Subsequently a Procedure on the Registration of Plate Rights was issued. See Ministry of the Interiors Order, *Tai (87) Nei Chu Tzu Ti* No. 8,785,536 (Feb. 23, 1998). See also *supra* note 94 and accompanying text.

137. 1997 Copyright Law Amendment art. 10.

138. Note that the Copyright Law required registration and recordation as a prerequisite for protection prior to July 10, 1985; the right holder was required to provide his or her copyright certificate (issued by the Copyright Commission) as evidence in any infringement suit. Since then, copyright would be conferred upon as of the time of creation. Registration and recordation became voluntary. The 1992 Copyright Amendment abolished recordation and issuance of certificate. The mere showing of registration would be sufficient to meet the plaintiff's initial burden of proof in court. Registration, however, still included six categories: (1) the copyright holder; (2) the economic right of the copyright; (3) first publication date; (4) right assignment or transfer; (5) exclusive licensing or restrictions on the disposition of copyright; and (6) other restrictions on the alienation of copyright (such as a mortgage using copyright as collateral).

139. See *supra* note 100, and accompanying text.

right holders sought to register anyway either before or in the midst of an infringement suit. The defendant, on the other hand, would almost certainly oppose such registration before the Copyright Commission on the ground of fraud or misrepresentation. A dilemma then arose: the Copyright Commission would neither take action to sustain nor invalidate a registration until the court had first explored the issue of fraud. However, the court would not want to make any decision until the Copyright Commission took action on the plaintiff's registration or responded to the defendant's opposition. This has often significantly delayed justice and generated numerous complaints from the copyright owners.<sup>140</sup> Consequently, without a need to show registration, chances are that cases may now be resolved more expeditiously in court as long as the copyright holder carefully preserves all the necessary evidence.<sup>141</sup>

Clearly sensing the need to quickly fill the vacuum left open after the almost complete switch to a "no formality" regime, the Copyright Commission points to the newly enacted Copyright Mediation and Arbitration Organization Law as a possible alternative.<sup>142</sup> This law envisions the emergence of an industry-run, self-imposed registration system whose evidentiary authority will eventually be recognized by the courts. At the present, however,

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140. See COPYRIGHT COMMISSION OF THE MINISTRY OF THE INTERIORS, REASONS TO REPEAL ARTICLE 74 OF THE COPYRIGHT LAW (1) (Feb. 1998). Another reason given for the abolishment of the registration system is that the Copyright Commission had to devote nearly seventy percent of its manpower (most of whom are college graduates) to handle roughly 1,400 filings per month, causing "unnecessary waste" of government resources. One scholar, however, puts the blame on the Copyright Commission for merely using lack of substantive examination as an excuse not to correct its own registration errors while passing the buck to the courts. See Chen-yu Feng, *The Effect and Response to the Abolishment of Copyright Registration System*, 37 TAIWAN L. REV. 80, 85 (1998) (text in Chinese).

141. Note that in at least one early criminal case, however, the Taipei prosecutor's office took a rather narrow view on what constitutes "the completion of the work." There the prosecutor refused to bring charges against the accused infringers despite what seemed to be an ironclad case. Reason: ITRI, the accuser, had yet to acquire copyright on the documents allegedly being infringed upon because they were still "work in progress" and could at best be classified as "interim." See *In re Industrial Technology Research Institute, Taipei District Prosecutor Office's Non-prosecution Discharge*, (77) *Chen Tzu Ti* No. 245 (1988); (77) *Chen Shu Tzu Ti* No. 149 (1988).

142. This law was implemented on November 5, 1997.

this system is still not in existence and perhaps will not be in place or fully functional for some time since the copyright industry has not committed to the task, leaving many difficult and practical issues unresolved.

#### d. Border Enforcement

On the other hand, a domestic copyright holder may encounter more difficulties in terms of border enforcement. The 1997 Copyright Amendment repeals Article 104 and substitutes a new Article 90<sup>bis</sup> on border measures.<sup>143</sup> In addition to a surety bond in an amount equivalent to the value appraised by the Department of Customs Service on a Duty-Paid or F.O.B. basis, this new provision requires the copyright holder to provide a written request which pinpoints the “infringing facts” as the basis for customs seizure.<sup>144</sup> Questions remain, however, on whether privately gathered documents may be directly admitted by the Customs Service as *prima facie* evidence. The Civil Procedure Law does not have any rules on *prima facie* evidence; rather, it makes a clear distinction between “public” and “private” documents, with only the former receiving the presumption of truth of a given fact or validity in a dispute.<sup>145</sup> Arguably, only “public documents” may be treated as *prima facie* evidence since they do not require proof from the parties.<sup>146</sup> It follows that unless the Customs Service provide a more simplified guideline, domestic copyright holders will face a higher

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143. Cf. Part II.D.11.(iii) for a discussion on customs seizure.

144. This provision apparently is intended to comply with Articles 52 and 53(1) of the TRIPs Agreement. As to the standards or criteria of “clearly lay[ing] out the infringing facts,” the legislative history of the 1997 Copyright Amendment specifically directs its application to Article 284 of the Civil Procedure Law, which permits the introduction of “all evidence that is capable of convincing the court to the truth of a claim in laying out a given fact. But evidence that cannot be instantaneously investigated will not be considered.” *Id.* (emphasis added). Because there is no jury system in Taiwan, this means evidence such as hearsay may be admitted by the court.

145. Civil Procedure Law art. 355. Although “private” documents will receive the same presumption when signed, fingerprinted, or authenticated by competent public authority under the Civil Procedure Law art. 358, the Supreme Court of Taiwan has limited its application to non-disputed facts only.

146. Cf. 17 U.S.C.A. § 410(c) (West Supp. 1999). Registration confers *prima facie* validity of a work’s originality and ownership. It is indeed very doubtful whether a privately held document or correspondence can amount to such a presumption.

threshold to meet his or her burden of proof.

Ironically, foreign copyright holders or their agents may be the beneficiary under the new system, as long as their countries have bilateral arrangements with Taiwan. For instance, under the 1993 Copyright Agreement, an American copyright holder may use a certificate of registration issued by the United States Copyright Office to exercise border control or enforcement in Taiwan. This "public" document no doubt will be given the power of *prima facie* evidence and take precedent over any "private" document offered by a local, Taiwan citizen.<sup>147</sup> It follows that there may be an outflow of registration activities because many Taiwanese copyright owners now want first to register their rights in countries that have similar arrangements with Taiwan for better protection.

Again, this double-standard outcome, with preference given to foreign copyright holders, apparently was not quite intended or conceived by the legislators. Yet it can have a negative impact on the export monitoring system, especially in the computer software area. Unless the rule is changed, Taiwan's domestic hi-tech exporters may be unable to register their works or licensing activities on the system's index or database, putting them in a disadvantaged position.

#### e. Fair Use

On fair use, the 1997 Copyright Amendment adds a new paragraph to Article 65, by expressly stating that fair use does *not* constitute an infringement. Despite a striking resemblance to the United States law, this addition may be the most significant difference from the American system, both conceptually and procedurally, under which a plaintiff must first bring forth a *prima facie* case of infringement before fair use may be claimed by the defendant as an affirmative defense.<sup>148</sup>

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147. See the 1993 Copyright Agreement, *supra* note 11, art. 4(3).

148. The application of this statute can be very tricky. As indicated in Part II.D.8., *supra* notes 111-120 and accompanying text, under Taiwan's law, fair use claims must be raised at the earliest possible stage of a trial. The result is that the defendant may have to assist the plaintiff's case by first demonstrating his or her own infringing act *before* the plaintiff has met his or her burden while still risking a ruling that it could be justified as a fair use. Thus, ironically, this provision may in effect shift the burden to the defendant

#### f. Compulsory Licensing

With the exception of musical works, the 1997 Copyright Amendment repeals all other forms of compulsory licensing schemes.<sup>149</sup> On the other hand, in the name of preserving the artistic and literary value and after heated debate, the legislators retained a unique feature in the law, the plate right, for a term of ten years protection from the completion of the print plate of a work whose copyright has expired under Article 79. Note that this right is afforded to publishers, plate owners, for the *first publication* of a work that no longer enjoys copyright protection.

#### g. Statute of Limitation

The 1997 Copyright Amendment provides a statute of limitation for infringement actions. Now an action must be brought within two years since the plaintiff learned of the damages *and* the infringer, or when either is not known, within ten years of the infringement under Article 89<sup>bis</sup>. Article 90<sup>bis</sup> further provides a detailed mechanism for border enforcement.

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and create a presumption of infringement.

149. The Ministry of the Interior is authorized to impose a compulsory license for a sound recording embodying a musical work that has been publicly released for sale for more than *six months* under Article 69. Formerly such a license may not be imposed or issued until after two years of the release.

#### h. First Sale Doctrine/Parallel Imports

The United States Supreme Court's decision in *Quality King Distributors, Inc. v. L'anza Research International, Inc.*,<sup>150</sup> has raised discussions in Taiwan about the wisdom of its current restrictions on copyright parallel imports.<sup>151</sup> Although there is no appetite for both Taiwan and the United States governments to reopen this issue for negotiations, some legislators and scholars in Taiwan nevertheless seem ready to propose changes to the copyright law that will be in line with the *L'anza* ruling, believing this will create more breathing room for price competition among consumer products.<sup>152</sup>

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150. 523 U.S. 135, 118 S. Ct. 1125 (1998). In a unanimous decision, the court held that the exercise of a copyright holder's right of importation as provided in 17 U.S.C.A. § 602(a), is subject to the first sale doctrine/restriction for copies or phonorecords that are produced lawfully, which, according to the court, means "lawfully made in the United States." See 17 U.S.C.A. § 109 (West Supp. 1999). Thus, it appears that parallel importation of copyrighted materials is now permitted in the United States if, and only if, the materials were first manufactured in the United States, shipped abroad, and then imported back in to the United States for sale (the "round trip" scenario). The court specifically left undecided any scenarios less than a round trip. See *Quality King Distributors, Inc.*, 118 S. Ct. at 1135 (Ginsburg, J., concurring). Commentators suggest that American manufacturers may still invoke § 602(a) protection if they transfer production to a foreign affiliate, and that foreign manufacturers of United States copyrights are now clearly in a better position than United States manufacturers. See Lynda J. Zadra-Symes & Joseph J. Basista, *Using U.S. Intellectual Property Rights to Prevent Parallel Imports*, 20 EUROPEAN INTELL. PROP. REV. 219, 225 (1998).

151. See *supra* Part II.D.9. This issue was brought up and discussed in depth on several occasions during a series of meetings between an United States delegation and senior Taiwan officials in May 1998, including a group of Taiwan's legislators interested in intellectual property issues. The Asia Pacific Legal Institute ("APLI") and its members organized the delegation. Members include the Honorable Randall R. Rader (Circuit Judge of the United States Court of Appeals for the Federal Circuit), Marybeth Peters (United States Register of Copyrights), Professors Martin J. Adelman of Wayne State University, Charles M. McManis of Washington University, Paul C. B. Liu of APLI, Jerome H. Reichman of Vanderbilt University, Toshiko Takenaka of University of Washington, as well as Michael N. Schlesinger (Counsel to the International Intellectual Property Alliance) and this author.

152. *Id.* It should be noted that the issue of parallel importation was hotly contested during a Workshop on Trade-Related Aspect of Intellectual Property Protection, organized by APLI and as a part of the official program of the 68th Biennial Conference of the International Law Association in May, 1998 in Taipei. It has generated much interest from different sectors within Taiwan to reexamine this issue.

### i. Retroactive Copyright

The 1997 Copyright Amendment adds three new provisions on retroactive protection to pre-existing copyrighted works, both original and derivative, of already adhering members of the Berne Convention, 1971 Paris Act, and the WTO under Articles 106<sup>bis</sup> to 106<sup>quater</sup>. However, as in the cases of the 1997 Patent Amendment and Trademark Amendment, their effective date is contingent upon Taiwan's formal accession to the WTO under Article 117. To ensure a smooth transition, Article 106<sup>ter</sup> allows a two-year grace period for all "major investments" on the works to continue without license or paying royalties to the right owner. However, no detail is given on what constitutes a "major investment" or the measures for securing the retroactive protection, now that the registration system of copyright is no longer there, this can be especially difficult to resolve. After the two-year period, the "reliance party" is required to pay royalties to the owner or licensee of the works of the source country as if under a negotiated licensing agreement under Paragraph 2, Article 106<sup>quater</sup>. Note that derivative works are expressly exempted under Paragraph 3, Article 106<sup>quater</sup>.

### j. Specialized Court

Article 115<sup>ter</sup> now specifically authorizes the establishment of specialized courts or rather chambers, or personnel to handle copyright related litigation.<sup>153</sup> With this mandate and the authorization of Article 14 of the Organization Law of the Courts on July 1, 1998, the Taipei District Court, which has jurisdiction over a significant portion of the capital city, formally created the first intellectual property chamber in Taiwan to handle *all* Intellectual Property infringement cases.<sup>154</sup> Since most infringement suits are first

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153. See discussion *infra* Part III.B.

154. See C.W. Ting, *IPR Court Established by the Taipei District Court*, LEE AND LI BULLETIN 11 (July 1998). It appears the formulation of this chamber was based on a "resolution" (or rather suggestion) out of an informal meeting of the Taipei District Court judges in 1997. An internal memorandum was filed (thus, no official document number or coding) and the Taiwan High Court simply approved the request. Note that Articles 14 and 36 of the Organization Law of the Courts authorize a district court and the High Court, respectively, to establish "professional chambers or divisions" based on their needs. This is in addition to Article 8, which authorizes the formulation of specialized or professional courts altogether. See *infra* note 230 and accompanying text.



brought as criminal complaints and later combined with civil proceedings, if any, the Court simply reshuffled its existing structure and merged the Second and Fourth Chamber of the *Criminal Division* into this new Intellectual Property Chamber and assigned judges with intellectual property specialty or interests.<sup>155</sup> Yet it is not completely clear whether this arrangement precludes a pure civil suit to be filed there, given the very distinctive nature and practices between criminal and civil proceedings in Taiwan's courts.

Questions also remain on how the new chamber functions in the event a case involves overlapping jurisdictions among several chambers and how a non-specialized higher court with *de novo* jurisdiction over the facts review the findings, both in fact and in law, on a specialized lower court.<sup>156</sup> Naturally, only time will tell. But it appears that the new chamber will still face the challenges of training enough specialists in time to handle the ever-increased intellectual property caseload while giving those judges strong enough incentives to stay on their posts.<sup>157</sup>

#### k. Pending Issues and Legislation

Regardless of the United States negotiators' strong urge, the 1997 Copyright Amendment does not include any anti-bootlegging provision.<sup>158</sup> Nor does it take measures to deal with anti-

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155. See *infra* notes 164 and 231 and accompanying text.

156. An example is when a case involves the violations of both Intellectual Property and non-Intellectual Property statutes. To further complicate the matter, suppose the Fair Trade Commission also has jurisdiction, then by statute its ruling can only be appealed to an administrative court. It is quite clear, however, that for patent and trademark validity questions, it is still the exclusive jurisdiction of the administrative courts and a district court will not resolve an infringement dispute unless and until the validity issue is first determined by an administrative court. Currently there is no indication that the two courts may combine their operations on Intellectual Property matters. See discussion *infra* Part III.B. To make matter worse for foreigners or foreign entities, these separate law suits means separate powers of attorney and other proceedings that could render the pursuance of several litigation out of a single dispute very cumbersome.

157. Even with the formation of an Intellectual Property chamber, the reality is that only a handful of judges will be assigned to this chamber and they themselves will seek promotion by rotating among different courts in different regions. Under the current practice, that means the chamber is likely to face a major turnover in every three to four years.

158. Cf. 18 U.S.C.A. § 2319A (West Supp. 1999). "Bootlegging" is referred to as

circumvention measures, believing they are too premature to be legislated. Therefore, these issues are likely to remain hotly contested in Taiwan's future Intellectual Property negotiations with the United States and other countries.

In addition to the Copyright Law Amendment, three other bills related to intellectual property cleared the First Reading in the Legislative Yuan on January 3, 1998. They are: The Draft Organization Law of the Intellectual Property Office, MOEA ("IPO Bill"), the Draft Patent Examiners Statute and the Draft Trademark Examiners Statute, all designed as the reform package to the organizational structure and problems facing the current NBS.<sup>159</sup> Under their present language, most of the functions of the MOEA Anti-Counterfeiting Committee will be consolidated into the future IPO under Article 2, ninety percent of the "outside examiners" will be phased out in four years under Article 15 and the IPO may establish branch offices in various regions under Article 13.<sup>160</sup> Arti-

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"unauthorized fixation and trafficking in sound recordings and music videos of live musical performances." Note that the United States did not add its anti-bootlegging statute until 1994. See Final Act, *supra* note 31.

159. See *infra* notes 223 and 226 and accompanying text. Article 15 sets forth a mandatory four-year, phase-out period for ninety percent of the part-time and contracted patent examiners, but a Legislative Yuan's "append resolution" nevertheless asks that this be done in three years. Fearing potential fallout within the NBS, the Director-General engaged in an intensive round of negotiations with members of the Legislators Yuan immediately after the bill's First Reading. It appears that the NBS has reached a tentative yet shaky compromise with the leadership of the majority party, the *Kuomintang* ("KMT," or the "Nationalist Party"). Under this plan, the NBS will have the authority to fully implement its existing agency-wide program to offer preparation and guidance to its entire outside and contracted examiners for an eventual national qualification examination to fully legitimize their status. Note that as a prerequisite, a career government employee would normally need to pass the National Civil Service Examination before receiving a formal appointment. The examination is administered by the Examination Yuan, a unique feature in the Constitution independent from both the Executive and Legislative Yuan. This compromise may be shaky because the KMT now only carries a razor-thin majority and even some members within that party still disagree with their leadership on this issue, believing only a compulsory measure expressly stated in the statute could force the NBS to take serious reform actions. See also discussion *infra* Part III.A.

160. The IPO Bill was enacted on October 15, 1998 and implemented on November 4, 1998. See Legislative Yuan, *Draft Organization Law of the Intellectual Property Bureau, MOEA*, Government Legislative Proposal No. 5764, *Yuan Zong Di* No. 1752 (Mar. 22, 1997). Currently the NBS has opened three branch offices in Hsinchu (to primarily serve the Science and Industrial Park there), Taichung and Kaohsiung, respec-

cle 7 of the IPO Bill nevertheless sets a cap on the maximum hiring of patent examiners, an issue that no doubt will and should be further debated during the legislative process.<sup>161</sup>

Furthermore, a Draft Cable Television Law is under the Executive Yuan's deliberation and is expected to be submitted to the Legislative Yuan in March 1998. A Draft Telecommunication Law is being circulated among related agencies for comments. In the Executive Branch, the NBS promulgated two new rules in 1998: Regulation Governing Patent File History Review and Regulation Governing Patent Interviews.<sup>162</sup>

Meanwhile, both the Executive and Legislative Yuan are debating several legislative proposals designed to reform Taiwan's current technology transfer regime. Specifically, whether Taiwan should allow non-profit organizations such as research laboratories or universities or even private firms to prosecute patent rights in results or products derived from government-sponsored research projects and commercialize them thereafter, as in the case of the United States models.<sup>163</sup>

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161. The IPO Bill renames the examiners (both patent and trademark) as "examining officers (EOs)" and divides them into three categories: Senior EOs, EOs and Assistant EOs. The IPO was formally established on January 26, 1999. Under this new law, the total number of patent examiners are limited to 221. See Organization Law of the Intellectual Property Office art. 7.

162. Currently, a Draft Early Publication Rule is pending upon the passage of another patent law amendment. See discussion *supra* Part II.A.12.

163. Like the United States prior to 1980, the current National Properties Law in Taiwan mandates that title or ownership of *all* intellectual property rights resulting from government-sponsored research projects go to the government, hence the public domain in theory. Consequently, many research institutions and universities, find very little incentive to commercialize their research results. By the end of 1997, there were at least four different bills being circulated around for comments with the Executive Branch proposing two versions representing sharp differences between the National Science Council and the Ministry of Economic Affairs. Several public hearings have also been held, though no date is set for the committee due to the lack of consensus. At issue is whether the American models, established by the Stevenson-Wylder Technology Innovation Act of 1980, Pub. L. No. 96-480, 94 Stat. 2311 (codified as amended at 15 U.S.C.A. §§ 3701-14 (West 1998 & Supp. 1998)); Bayh-Dole Act of 1980, Pub. L. No. 96-517, 94 Stat. 3015 (codified as amended at 35 U.S.C. §§ 200-11, 301-07 (1994)), and their subsequent amendments, are suited for Taiwan. See JUNYING HUANG & PAUL C.B. LIU, INTELLECTUAL PROPERTY LAW AND MANAGEMENT 275-89 (2d ed. 1998) (text in Chinese).

### E. Trade Secrets Law

The regime that governs the protection of trade secrets in Taiwan may be found in the Civil Code, the Criminal Code, the Fair Trade Law and the 1996 Trade Secrets Law. Under Article 2.10 of the 1992 IPR Understanding, Taiwan is committed to the passage of, among other acts, a trade secrets law.<sup>164</sup> This was finally realized on January 17, 1996.

Rather than compiling an exhaustive list of what constitute "trade secrets," Article 2 lays out the basic criteria: (1) that it is not generally known by those in the field; (2) that it possesses certain realistic or potential economic value; and, (3) that the owner of the information has taken reasonable measures to safeguard its secrecy. It may be in the form of a method, technique, manufacturing process, formula, program, design or any information that can be used to manufacture, sell, distribute, or manage. This is in line with the TRIPs Agreement language and requirements.<sup>165</sup>

The Trade Secrets Law clarifies the ownership issue in work-

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164. Unlike the mandatory requirement to pass laws for the protection of semiconductor chips and industrial designs under Article 2.10, this provision only requires Taiwan to enact a trade secrets law "if necessary." This is in part because Taiwan's existing laws (including cases) before 1996 had more or less addressed this issue, albeit sometimes not necessarily to the satisfaction of United States interests. For instance, one of the most high-profile cases in Taiwan is the series of disputes on trade secrets infringement between its two major domestic high-tech companies, Microtek International, Inc. and Umax Data Systems, Inc. Between 1988 and 1993, a total of 15 cases were brought by each side, which eventually resulted in 62 decisions rendered by the court, including 5 rulings from the Supreme Court. Relying on reports by the court appointed experts, the Supreme Court was not convinced that the technologies (know-how) in the disputes, *i.e.*, an image scanner, was in the sole possession of the plaintiff (Microtek), or that the plaintiff had demonstrated the defendant's plagiarization of its know-how and had suffered any actual damage. Note that all individual co-defendants were former employees of the plaintiff's company, and the combination of their skills could have led to the development of identical products in a relatively short period of time. In fact, Umax did begin in the production of scanners only four months after the six Microtek employees left to become Umax's senior officers and/or engineers. The plaintiff tried to rely on the Fair Trade Law and the general principles of the Civil Code but to no avail. For a complete collection of the cases involving the Microtek-Umax disputes. See INSTITUTE FOR INFORMATION INDUSTRY, COMPILATION OF INTELLECTUAL PROPERTY DECISIONS (PART II): CASES ON TRADE SECRETS 1-424 (Apr. 1995) (text in Chinese).

165. See TRIPs Agreement, *supra* note 32, art. 39. Trade secrets are referred to as "undisclosed information" in the TRIPs Agreement.

made-for-hire situations. Unless the contract provides otherwise, the *employer* owns the secret under Article 3; in case of commissioned works, the secret belongs to the commissioned, although the commissioner may retain the right to use the secret in related works under Article 4. In the event of joint development, all developers jointly and severally own the secret under Article 5. Thus to transfer ownership, it must be agreed to by all co-owners. The law specifically provides that an individual co-owner may not reject the transfer of ownership or licensing agreement without just cause under Article 6, but does not specify the remedy if it so happens. Note that although the law permits free alienation of trade secrets ownership, it does prohibit sub-licensing of the ownership without the owner's prior consent under Article 7.

The law expressly exempts trade secrets from being the subject matter of foreclosure or injunctive relief under Article 8. The Trade Secrets Law also imposes the duty on government officials, arbitrators, agents, counsels, witnesses, or any other related individual to maintain the confidentiality of trade secrets which they encounter in their work under Article 9. Violators of trade secrets may be subject to two-year imprisonment and a fine of no more than NT \$500,000, approximately US \$16,667, in addition to civil damages under Articles 19(5) and 36 of the Fair Trade Law, Article 216 of the Civil Code.<sup>166</sup> If the violator is convicted of fraud, the maximum imprisonment may be as high as seven years under Articles 339 and 340 of the Criminal Law.

As in other Intellectual Property legislation, foreign trade secrets protection in Taiwan is under the semi-reciprocal rule.

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166. This is for those who engage in the acquisition of business or technology secrets by duress, inducement of profit or other unfair methods under Fair Trade Law art. 19(5). The penalty is more severe than Article 317 of the Criminal Code and should take precedent. Article 317 imposes one-year imprisonment plus a fine to those under a legal or contractual obligation to keep secrets but disclose them without cause. Article 318 imposes a two-year sentence to current or former government employees who, in their line of work, come to learn of trade secrets and disclose them without cause. It appears, however, that negligent offenders are only subject to civil damages. Treble damages may also be imposed on intentional violators under Trade Secrets Law art. 13, in addition to lost profit under Civil Code art. 216, and the statute of limitation is two years from the time the plaintiff knows or should have known of the infringer or infringers and the infringing act; or, ten years from the time the act takes place, whichever is earlier under Article 12.

Therefore, foreign trade secrets will be protected if, and only if, (1) the country where the secret belongs affords protection to Taiwan's trade secrets or (2) it is stipulated in a bilateral agreement or treaty under Article 15. This may pose some difficult issues in a complex, multilateral cross-licensing scheme where only part of the know-how may be protected under Taiwan's domestic law.<sup>167</sup> It is, therefore, all the more important to have a well thought-out licensing agreement and security measures instead of only relying on domestic law for protection.

#### F. *Integrated Circuit Layout Protection Law*

On August 11, 1995, Taiwan promulgated its very first law designed for the protection of integrated circuits or mask works, to become effective as of February 11, 1996. The Integrated Circuit Layout Protection Law ("ICLPL") is intended to fulfill Taiwan's commitment under the 1992 IPR Understanding with the United States and to inject a dose of confidence into its fast-growing domestic semiconductor chip manufacturers.<sup>168</sup>

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167. For instance, one of the most notorious and still on-going cases is between Matra Transport, a subsidiary of Matra Hachette Industrial Group of France and the Municipal Government of Taipei, Taiwan's capital city, over the construction of Taipei's mass-transit system. One of the contending issues involves the licensing of technologies from France, Germany and the United States. France does not have a reciprocal arrangement with Taiwan for trade secrets protection but the United States does. In addition, the complicated sub-contracting scheme has made this issue more difficult to resolve. See Laura Tyson, *Matra Hachette Offshoot May Quit Taiwan: Row Escalates with Taipei Authorities over Payments for Work on Commuter Rail System*, FIN. TIMES, June 3, 1996, at 6. Matra Transport eventually pulled itself out of the project and left behind a number of unresolved cases and bad feelings with Taipei's municipal authority.

168. As of the end of 1996, Taiwan had the largest market share in the production of interface cards, computer mice, image scanners, keyboards, motherboards and notebook personal computers in the world. Its terminals or monitors production ranks second, desktop personal computers rank third and integrated circuits (semiconductor chips) production ranks fourth worldwide. See Andy Pasek, *Binding Taiwan with Science: The Pivotal Role of Science-based Industrial Parks in Taiwan's High-tech Development*, 27 TOPICS/THE AMERICAN CHAMBER OF COMMERCE IN TAIPEI NO. 8, Oct. 1997, at 54; see also Annie Huang, *Former Piracy Kingdom, Gone Legit, Becomes Computer Giant*, STAR-LEDGER, Sept. 6, 1997, at 55. In 1996, Taiwan's information technology industry generated US \$16.4 billion in revenues, plus US \$7.7 billion from overseas investment. By 2002, domestic output is expected to reach US \$32 billion. See *From Backwater to Techno-power*, CHINA NEWS, Aug. 13, 1997. As a latecomer, however, Taiwan's chip manufacturers are facing many difficult challenges as the global demand and the price of

Obviously in the passage of its ICLPL, Taiwan adopted the *sui generis* approach and modeled the law after the United States Semiconductor Chip Protection Act of 1984 ("SCPA").<sup>169</sup> This law also takes into consideration Articles 35 to 38 of the TRIPs Agreement.<sup>170</sup> Among other things, Article 15 requires registration as a pre-requisite for protection, and Article 19 stipulates a term of ten years from the date of first commercial exploitation or filing, whichever comes first.<sup>171</sup> To qualify for protection, like a patent, a circuit layout design (1) must be the result of its creator's intellect and efforts, and, (2) at the time of its creation, must not be "ordinary, common, or known to the integrated circuit industry and designers of circuit layouts" under Article 16.<sup>172</sup> Unlike a patent, however, the NBS will not conduct substantive examination before a registration is granted under Article 10.

Once registered, the owner shall have the exclusive right to preclude unauthorized reproduction, importation or commercial distribution of the layout under Article 17, but it is subject to the following fair use exceptions: (1) to analyze or evaluate for research, educational or reverse engineering purposes; (2) to use the result of such research, analyses, or reverse engineering in creating a second layout that conforms to the requirement of Article 16 or to incorporate the first layout as an embodiment; (3) to qualify un-

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chips is falling. See Leslie Chang, *Chipmakers in Taiwan Feel Slump*, WALL ST. J., Oct. 10, 1997, at A14. The global stock market crash in late October 1997, particularly the hi-tech stocks, further demonstrates the volatility of the hi-tech industry.

169. Pub. L. No. 98-620, 98 Stat. 3347 (codified at 17 U.S.C.A. §§ 901-914 (West Supp. 1999)). For a detailed analysis of SCPA, see Terril G. Lewis, Comment, *Semiconductor Chip Process Protection*, 32 HOUS. L. R. 555-613 (1995) (arguing that protection of chip designs as embodied in mask works has missed the mark for real protection of chip-making process; and, the fair use exception created under 17 U.S.C.A. § 906 is too broad to provide meaningful protection, thus making the objectives of the entire SPCA moot from the outset.).

170. See TRIPs Agreement, *supra* note 32, art. 35 (mandating the application of Articles 2 through 7 with the exception of paragraph 3 of Article 6 on compulsory licensing). See also *id.* art. 12; Treaty on Intellectual Property in Respect of Integrated Circuits art. 16, ¶ 3, opened for signature at Washington, D.C., May 26, 1989, 28 I.L.M. 1477 (1989) [hereinafter Integrated Circuit Treaty].

171. Note, however, that registration must be filed within two years of first commercial exploitation under Article 13. Cf. Integrated Circuit Treaty, *supra* note 171, art. 8 (requiring a term of at least eight years).

172. Integrated Circuit Layout Protection Law art. 16.

der the first sale exhaustion; (4) to import or distribute illegally produced integrated circuits without knowledge; or, (5) to independently create, by a third party, an identical layout or circuit under Article 18. Therefore, parallel import of foreign circuit layout design may be permitted, as long as it falls within one of these rather broad-based fair use exceptions. It is not clear, however, whether the law adopts the doctrine of territoriality or international exhaustion; nor is it clear how these exceptions may encroach upon the over-all effectiveness of the law.<sup>173</sup>

ICLPL apparently recognizes the fact that most creations of circuit layouts are the result of a team effort. Therefore, registration in the names of multiple creators are permitted under Article 9. In this situation, no single joint owner of the layout may assign, license or create a pledge in his or her own share without the consent of all joint owners, although other joint owner or owners may not reject such transfer without just cause under Article 21. If a joint owner abandons his or her share, the abandoned share shall be allocated to other joint owner or owners *pro rata* to their share in the original ownership. A juristic person such as a corporation may also be the creator in this regard under Article 7. In the event an employee within the scope of employment creates the layout, unless the contract provided otherwise, the employer shall retain ownership, although the employee shall have the right of attribution, moral right, to the layout. The same rule applies to commissioned works where the property right belongs to the commissioner, unless the contract provides otherwise under Article 7.

Despite the TRIPs Agreement's preclusion of paragraph 3, Article 6 in applying the Integrated Circuit Treaty, Article 24 of ICLPL nevertheless permits compulsory licensing under two circumstances: (1) when the purpose is for non-profit public interests; or, (2) when an owner of the layout is found to have engaged in unfair competition. It is not clear exactly what activities may fall under one of these two categories, and this may well be one of the points of dispute between Taiwan and other WTO member

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173. See Lewis, *supra* note 169, at 574-98. In addition, the rather broad-based permission of compulsory licensing may also negatively impact the chip manufacturers' incentive to use this law for chip protection, forcing them to look for alternatives, such as process patent protection under the Patent Law.



states in the future. Once a petition for compulsory license is filed, however, the owner or owners of the layout may issue a defense statement within three months. Also, the granting of one such license by the competent authority will not preclude others from obtaining another compulsory license for the same circuit layout rights. In this regard, note that Article 24 explicitly prohibits the assignment or sub-licensing of a compulsory license right except in the case of business mergers or acquisitions where the right may be transferred together with the business in one package.

Articles 29 through 32 provide for civil remedies for infringement of integrated circuit layout rights. Either the right owner or the exclusive licensee may institute a civil action, yet a licensee may not bring a case unless and until the owner has taken no action after being properly notified and the contract does not restrict his or her standing to sue. In a case where a third party knows or should have reason to know that the products, which were imported or distributed for commercial purpose, contain integrated circuits produced from illegal means, that third party will also be liable as an infringer under Article 29. This rule does not apply, however, if the third party has separated the infringing circuit from the products.<sup>174</sup> An "infringement assessment report" ("IAR") must be submitted when the layout owner or licensee exercises his or her rights.<sup>175</sup> Neither the law nor its Implementing Regulation specifies how this report may be obtained. Past practice suggests the competent authority such as the NBS is likely to designate a number of institutions such as 3I or ITRI to serve as official inspectors.<sup>176</sup> Yet on many occasions, these institutions may themselves be involved in a dispute or have a conflict of interest problem, given the fact that they are semi-governmental and part of their function is for the research, development and manufacture of

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174. This is similar to the "innocent infringement" exception under United States law. See 17 U.S.C.A. § 907 (West Supp. 1999). But Article 29 is not clear whether the end user or purchaser from that third party will also be liable as an infringer and, therefore, incur a duty to separate the infringing layout from the purchased product, which may render the product inoperable in many instances.

175. Note that there is no public notice requirement as *prima facie* evidence of protection. Thus the plaintiff or plaintiffs would still bear the burden of proving infringement.

176. See *supra* note 21 and accompanying text.

semiconductor chips.

The total remedies may be based on actual damages and lost profit, minus the infringer's production costs and "necessary expenses," or, alternatively, the statutory damage of no more than NT \$5 million, approximately US \$166,667, under Article 30. If the infringer cannot prove production and other necessary expenses, then the entire proceeds from the sale of infringing layouts will be counted toward lost profit. In addition, the injured party may request the destruction of infringing layouts and the publication of the court judgment in a newspaper or journal with costs to be borne by the infringer or infringers under Article 32. Note that in the case of an innocent infringer, the injured party may claim damages based on the usual royalties charged to the use of the layout if the infringer continues to import or distribute the product for commercial purposes, after receiving written notice of the infringing facts and an accompanied IAR from the owner under Article 31.

Under regular administrative procedures for Intellectual Property disputes, a party should first file a petition before the same administrative agency for adjudication, the first petition, normally to a board within that agency, then a re-petition may be filed to the Executive Yuan and finally an appeal to the court. Here, the NBS *may* form an Assessment and Mediation Committee to resolve assessment, dispute resolution and compulsory licensing matters concerning circuit layout rights under Article 36. It is not clear, however, what the status is of this committee's rulings and whether they are subject to judicial review. It can be inferred, however, that once a committee is established, it certainly will not have the authority to impose any criminal penalty on the infringer, thus rendering the question of criminal liability for layout infringers moot.

Article 33 specifically grants for a foreign legal entity or organization standing to institute an action even if the Government does not recognize that entity. This is apparently a major departure from reciprocity and is a significant move toward a true national treatment standard.

Despite the potential deficiencies of ICLPL, Taiwan's industries seem to have reacted quite positively since its passage and certainly want to take advantage of its protection. In November 1996, the NBS issued the very first registration certificate to Win-

bond Electronics Corporation, a local Taiwan company. Toward the end of the year, in just one month, two-hundred forty-five circuit layout, mask work, registration applications were filed, most of them domestic and Japanese filings.<sup>177</sup>

### *G. Plant Seeding Law*

The Patent Law does not afford protection on plant varieties. In fact, with the exception of the breeding process itself, Article 21(1) specifically precludes granting patents to new animal or plant varieties. Yet to address the need for proper protection and management of plant variety businesses the Plant Seeding Law was enacted on December 5, 1988, with its Implementing Regulation not promulgated until July 27, 1990, however. This law seeks to protect useful new species, whether cultivated or discovered, for a term of fifteen years, from the date the title of protection is issued under Articles 5, 19.<sup>178</sup> "New species" is defined as "a plant group that has at least one significant characteristic to be distinguishable from that of the existing species; provided, that its major characteristics and form are inheritable and stable" under Article 3(3).<sup>179</sup> The registration and protection regime resembles that of the patent system under Articles 11 to 21 and 41 to 45. The breeder has the right to promote, produce for the purpose of commercial marketing, offer for sale and market the new genera or species under Article 8. Note that the governing authority is the Council of Agriculture.

So far very little is accomplished by this statute. This is because Article 4 severely limits the protection to varieties being identified and listed by the Council of Agriculture only, and the Council has not been able to identify more than a handful of varieties for protection. There seems to be growing pressure from

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177. See NATIONAL BUREAU OF STANDARDS, MOE, YEARBOOK OF PATENTS AND TRADEMARKS, THE REPUBLIC OF CHINA: 1997 79 (1997).

178. Note that the law does not differentiate between vines, forest trees, fruit trees, ornamental trees or their rootstocks, which enjoy a longer term of protection of eighteen years, and the rest of plant varieties, which enjoy a fifteen year protection, as stipulated in Article 8 of the International Convention for the Protection of New Varieties of Plants, Dec. 2, 1961, 33 U.S.T. 2703 [hereinafter UPOV Convention].

179. Plant Seeding Law art. 3(3).

within to open up protection for plant varieties now that Taiwan is moving forward in the development of a solid biotechnology base on the island.

#### H. *Industrial Design Protection*

Article 2.10 of the 1992 IPR Understanding commits Taiwan "to use best efforts to work with the Legislative Yuan for the passage of the industrial design law . . . ."<sup>180</sup> The NBS immediately began drafting this new law, with special consideration given to Articles 25 and 26 of the TRIPs Agreement. Yet, after several rounds of hearings and roundtable discussions, this effort was halted. Many industry representatives and scholars questioned the wisdom of a *sui generis* industrial design law, given that there is already protection for design patents under the Patent Law. There were also concerns over, and disagreement on, potential confusion in also granting industrial designs trademark and/or copyright protection.<sup>181</sup> As a result, the NBS and eventually MOEA decided not to pursue this legislation after all. Rather, amending and enhancing the existing Patent Law will better protect industrial designs.

#### I. *Geographic Indication*

Article 22 of the TRIPs Agreement requires each Member to refuse the registration of a trademark that may misrepresent the geographic origin of the product. This is particularly important where a given quality, reputation or other characteristic of the good is essentially attributable to its geographic origin.

Currently, it appears the Commodity Labeling Law, the Fair Trade Law, the Trademark Law, the Trade Law and the Criminal Law provide a very good scheme of protection for geographic indication in Taiwan. In general, manufacturers are required to include information on place of origin on any commodity sold in a package intended for domestic or export sale under Article 11,

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180. See *supra* note 164 and accompanying text. Unlike the trade secrets law which may be enacted if necessary, this is one of the "must do" items under the 1992 IPR Understanding.

181. See Paul S. Hsu, *From the International Perspective on Taiwan's Intellectual Property Law and Its Future Development*, (visited Feb. 7, 1999) <<http://www.apipa.org.tw/apipa/b5/papers/ip/ph-21.htm>> (Chinese text).

Commodity Labeling Law. In addition, the label must contain the name and address of the manufacturer and/or importer, and the name and content of the commodity under Article 8. The same rules also apply to commodity advertising under Article 13. If an advertising agent knows or has reason to know that a statement concerning place of origin is false, untrue or misleading, the agent will be jointly and severally liable along with the manufacturer or importer for any damage resulting from such false advertising under Article 21, paragraph 4 of the Fair Trade Law. Violators may be subject to criminal charges and penalties for forgery under Article 255 of the Criminal Law, which carries a prison term of no more than one-year plus fine, in addition to administrative penalties under Article 15.

#### J. *Reforms under the 1996 Action Plan*

Being the subject of constant Special 301 attack has truly turned out to be a nightmare for Taiwan. This process has indeed done a great deal of damage to Taiwan's quest for a more positive international image and status as well as the maintenance of a stable relationship with the United States. Ironically, owing to the Special 301 "assault," Taiwan was able to drastically improve its Intellectual Property protection, which, arguably, has also increased its ability to attract state-of-the-art technology and foreign direct investment. In a final effort to get it removed completely from the Special 301-related lists and to demonstrate its commitment to accession to the WTO, Taiwan initiated a new Action Plan in April 1996.<sup>182</sup> Despite its past achievements, this latest effort

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182. See Executive Yuan, *Action Plan for Enhanced Protection of IPRs of the Republic of China* (Apr. 1996), in MINISTRY OF ECONOMIC AFFAIRS MEMORANDUM *Jin* (85) *Mao Tzu Ti* No. 85260558 (May 14, 1996) [hereinafter 1996 ACTION PLAN]. Based upon the author's interviews with senior officials in Taiwan, it appears that President Lee Teng-hui was directly involved that year in the effort to remove Taiwan from the Special 301 list, including the drafting of the Action Plan. This certainly and drastically heightened the political stake in the outcome of United States-Taiwan bilateral Intellectual Property negotiations. One of the explanations given for President Lee's personal involvement was that Lee had just won the first direct, popular presidential election in Taiwan on March 23 and was anxious to open a fresh chapter on Sino-American relations. At that time, relations between Taipei and Washington were at a low point due to Lee's high-profile and highly controversial visit to the United States in 1995, which intensified tensions between Washington and Beijing. The government of the PRC considered the

apparently came a little late when the USTR announced in April 30, 1996 that Taiwan would nevertheless remain on the "Special Mention" list under Special 301 with an "out-of-the-cycle" review to take place within six months.<sup>183</sup> This effort did, however, pay off when Ambassador Charlene Barshefsky, by then the acting USTR, announced on November 12, 1996 that Taiwan was formally removed from the list, citing its remarkable accomplishment in both Intellectual Property legislative and enforcement reform.<sup>184</sup>

The 1996 Action Plan identified 18 specific items for reform and charged specific government agencies with the duty to carry them out, which, in many circumstances, required inter-agency coordination. Unlike its predecessor, the 1993 Immediate Action Plan, this latest proposal was initiated by Taiwan and no specific timetable was provided. The Plan did not call for new legislation; rather, it only sought to enhance existing efforts on regional piracy, general enforcement measure and simplification of the EMS system. So far, most of the items apparently have been carried forward. This is in addition to the 1997 amendments to the Patent and Trademark Laws.

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United States granting of a visiting visa to Lee a direct violation of the three diplomatic communiqués between the United States and China. It was also considered serious interference with the domestic affairs, hence sovereignty, of the latter. China has consistently viewed Taiwan as a renegade province from the Mainland. From Taipei's perspective, it made no sense to add more frost to the already chilling relationship with Washington because of the Intellectual Property dispute. See Julian Baum, *Taiwan Tough Talk: President Lee Raises the Ante on Cross-strait Ties*, FAR EASTERN ECO. R. 31 (Nov. 20, 1997).

183. See USTR PRESS RELEASE NO. 96-39 (Apr. 30, 1996).

184. See USTR PRESS RELEASE NO. 96-89 (Nov. 12, 1996). In Barshefsky's words, "Taiwan has made a serious effort to address IPR problems over the last six months, and has achieved considerable success. We commend Taiwan for its efforts to protect intellectual property rights, and we look forward to Taiwan continuing these efforts especially with regard to effective protection in its courts." *Id.* This was without regard to the American copyright industry's urging that Taiwan should remain on the list. As it turned out, Taiwan was the only nation whose name was removed from the list as a result of the "out-of-cycle" review in 1996.

### 1. Committing Regional Enforcement

First and foremost, Taiwan declared that it intends "to eliminate any and all assistance provided by our citizens to *CD piracy in the region*."<sup>185</sup> To achieve this goal, Taiwan pledges to make available all existing criminal and administrative penalties to punish infringers, both direct and contributory. This apparently is in response to the United States demand that Taiwan should take actions against its citizens who simply transfer their piracy activities abroad in light of tougher enforcement against piracy in Taiwan.<sup>186</sup> Note, however, that this pledge applies to CD piracy only, not to other forms of piracy, and Taiwan's existing law and practice, even with the authority to exercise "extraterritorial jurisdiction," may not yield consistent results against piracy that occurs on Mainland China.<sup>187</sup> This is due in part to the still hostile political

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185. See 1996 ACTION PLAN, *supra* note 182, §1.1 (emphasis added).

186. See 1996 SPECIAL 301 RECOMMENDATIONS, *supra* 117, at 110. In this report, the United States copyright industry lobbying groups insisted that "Taiwan investors finance and control significant counterfeiting of security holograms and software in China. Although Taiwan's investigative authorities are aware of this problem, little has been done to combat piracy activities conducted by or on behalf of Taiwanese in Hong Kong and China." Based upon the author's interviews with senior officials in Taiwan, while admitting that this may have indeed happened, particularly given Taiwan's large investment activities in Mainland China and Thailand, they pointed to the fact that there is no credible figures or evidence to substantiate the United States claim, let alone call the situation "significant." Mr. John Deng, Director of the Economic Division, TECRO, pointed out that this is probably the result of a natural commercial "downstreaming" process. Most CD manufacturers need to constantly upgrade their production equipment (normally very costly) and find a way to dispose of the older versions in order to recover some of the costs, even though they may still be in relatively good shape. Thus, one natural and good outlet for Taiwan's used models is to resell them to Mainland China, with or without the knowledge of what the purchasers might want to do with them. Now that the United States has expressed its concerns over the proliferation of piracy due to this process, fifteen Taiwan CD manufacturers signed a self-imposed Pledge on Intellectual Property Protection on April 11, 1996 that specifically commits them not to resell the used equipment to previous copyright infringers or those who are likely to commit piracy. Although China was not mentioned, it was clearly the target of the Pledge. But Taiwan's existing law and political reality could render any attempt at extra-territorial enforcement very difficult, if not impossible, when Mainland China (now including Hong Kong) is involved.

187. The Ministry of the Interior made it clear that the word "territory" as contained in the Article 1.2 of the 1993 Copyright MOU, did not include Mainland China, as far as Taiwan's jurisdiction is concerned. See Ministry of the Interiors Memorandum, *Tai* (85)

atmosphere between the Mainland and Taiwan, at least at the government level, which results in the lack of judicial assistance and cooperation between the two sides. Nevertheless, the Minister of Justice, which is equivalent to Attorney General in the United States, instructed Taiwan's prosecutors to investigate and indict any Taiwan national involved in copyright counterfeiting activities in Mainland China, in accordance with Article 251 of Taiwan's Criminal Procedure Law.<sup>188</sup> The Minister further instructed all prosecutors that Intellectual Property cases should receive the highest priority and that they should always request the court to impose strict penalties on violators; prosecutors should not "recklessly drop charges" or commute imprisonment to fines in such cases, and to ask for even heavier penalties in cases involving severe Intellectual Property infringement.<sup>189</sup> Yet some prosecutors in

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*Nei Chu Tzu Ti* No. 8513411 (Aug. 14, 1996). The domestic law that governs Taiwan's relationship with the PRC is the Statute Governing Relations between Peoples of Taiwan and the Mainland Area, as amended (effective Sept. 18, 1992, and commonly referred to as Cross-Strait Relations Statute, or CSRS. CSRS relates to the Taiwan strait that geographically divides Mainland China from Taiwan), its Implementing Regulation and related administrative rules. Article 15 of CSRS states, *inter alia*, provides that no Taiwan national or nationals nor corporation or corporations may cause or employ Mainland national or nationals in conducting activities that are unauthorized or inconsistent with the purpose of the authorization or force others to engage in the activities thereof. Individual violators are subject to a maximum of three-year imprisonment plus a fine up to NT \$1 million (approximately US \$333,333; Articles 83 and 87). In a civil dispute where the occurrence of events takes place in both Taiwan and the Mainland (including *locus delicti* or *lex loci delicti*), Taiwan law applies (Article 45); in a dispute between nationals of Mainland and Taiwan, Taiwan law also governs under Article 41. Therefore, this statute in fact provides "long arm" jurisdiction for the Taiwan authorities to prosecute and penalize Taiwan nationals, natural or legal, who are *actively* involved in piracy in Mainland China, including those who aid or abet piracy. One exception is that in the event an individual has exercised *due diligence* to prevent violations, no liability or criminal penalty will be imposed. However, a corporation is still subject to a fine equivalent to the penalty imposed on an individual (Articles 83-84).

188. This provision provides prosecutors the authority to bring forth a public charge, even when the locality of the accused or defendant is unknown. Article 102 of the Copyright Law gives an unrecognized or unregistered foreign entity (legal person) a cause of action on infringement related charges.

189. See Ministry of Justice Memoranda, (85) *Fa Chien Chüeh Tzu Ti* No. 12375 (May 23, 1996); (85) *Fa Chien Chüeh Tzu Ti* No. 21201 (Aug. 20, 1996); USTR, 1997 NATIONAL TRADE ESTIMATE REPORT ON FOREIGN TRADE BARRIER 349 (1997) [hereinafter 1997 NTE REPORT]. Note that as a result of the April 1997 United States-Taiwan Intellectual Property consultation, the Ministry of Justice issued another memorandum that seeks to clarify two points: (a) prosecutors may not deny a complaint filed by a United



Taiwan complained in private that while under heavy pressure to deliver results, they could hardly conduct investigations in most cases absent channels with their counterparts on the Mainland.<sup>190</sup> Therefore, it remains to be seen how successful this extraterritorial jurisdiction may be exercised.

## 2. Preventing CD Piracy—SID and Self-regulation

Based upon the 1996 Action Plan, the Industrial Development Bureau of the MOEA is charged with the responsibility to ensure that all CD manufacturers begin to use a "unique identification number" ("UIN"), which is also known as "source identification" or SID number concerning the source of production. The MOEA then issued two Public Notices, requiring all Taiwan CD manufacturers, whether audio or video, to use the SID on their products during their CD production.<sup>191</sup> The Government Information Of-

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States copyright holder or his or her agent simply because the complainant fails to present the original copyright certificate issued by the United States Copyright Office, when a photocopy will suffice; and, (b) prosecutors may request to commute prison terms (when the offense has less than 6 months maximum penalty) to a fine if, and only if, the situation of the accused clearly falls within the exceptions provided under Article 41 of the Criminal Law. See Ministry of Justice Memorandum, (86) *Fa Chien Chüeh Tzu Ti* No. 9915 (Apr. 11, 1997). Article 41 permits such a conversion when the enforcement of prison terms will cause hardship or be impossible because of the defendant's physical, educational, occupational or family condition.

190. See an interview conducted with prosecutors in Taiwan, May 1997, on file with the Author. Contrary to the opinion of the Ministry of the Interior (Copyright Commission), the Ministry of Justice ("MOJ") takes the view that any copyright infringement committed on the Mainland is still considered a crime committed within Taiwan's territory, as far as Articles 3 and 11 of the Criminal Law are concerned (the doctrine of *lex loci delictus*), and is, therefore, subject to the law of Taiwan. See Ministry of Justice Memorandum, (85) *Fa Chien Chüeh Tzu Ti* No. 21201; cf., *supra* note 187. This memorandum does recognize that enforcement may be very difficult, given the lack of a systematic judicial assistance program between the two sides. As of October 1997, no statistics were available yet under this particular category, although the Ministry prosecuted 1,155 copyright infringement cases in 1995, a significant drop (47%) from the 1994 level of 2,186 cases. See IPR OVERVIEW *supra* note 108, at 54-55.

191. Ministry of Economic Affairs Public Notice, *Jin* (85) *Shang Tzu Ti* No. 85213883 (July 31, 1996) on audio CDs (to be effective Jan. 1, 1997) and Ministry of Economic Affairs Public Notice, *Jin* (86) *Shang Tzu Ti* No. 86221075 (October 29, 1997) on video CDs (or LDs) (effective Apr. 16, 1998). This is in accordance with Article 12 of the Commodity Labeling Law, which grants the Ministry of Economic Affairs the authority to impose items that are not otherwise required to be labeled under the statute but are nevertheless deemed essential because of the unique nature of the commodity and

fi ce (“GIO”) now also requires CD publishers provide their SID before a publication registration certificate may be issued.<sup>192</sup> Given the successful example of a similar system implemented in China, it is expected that the SID number will assist law enforcement officers in tracking pirated products, especially those legitimate factories that turn part of its assembly line into a piracy business.

The 1996 Action Plan also seeks to maintain a close, watchful eye by the government on the implementation of the CD industry’s self-imposed pledge.<sup>193</sup> The Plan promises to “carefully monitor” the industry’s pledge. By definition a self-imposed rule should be off-limits to government’s direct involvement, the Action Plan only calls for regular “roundtable discussions” among representatives from related government agencies, such as the BOFT, GIO, MOJ, and the National Police Administration, along with interested trade associations, such as the Computer Association of Taipei and CD producers, as a means to accomplish this commitment.<sup>194</sup>

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should be disclosed. Violators are subject to an administrative fine of no more than NT \$50,000 (approximately US \$1,667), after being formally notified and without taking any corrective actions in a given time; severe violations may result in the business being suspended for no more than six months (Article 15). See also USTR, 1997 NTE REPORT, *supra* note 189, at 349.

192. See, e.g., Guidelines on Foreign Contracted Export-Processing Publications, Government Information Office Order, (85) *Chi Ban I Tzu Ti* No. 16656., art. 3 (Dec. 4, 1996), which expressly requires proof of copyright, either with appropriate foreign authentication or SID, before any audio publication may be processed and exported. This provision also strictly prohibits the distribution of the audio products within the domestic market. See also 1996 ACTION PLAN, *supra* note 182, § 1.2; GIO Public Notice, *Wei Kuan Szu Tzu Ti* No. 15118 (Apr. 1997). Note that the Action Plan uses the term UIN, although later documents have changed it to SID.

193. This Pledge commits the 15 signers not to engage in piracy activities; to exercise due diligence in verifying the authenticity of copyright before accepting a production order or contract; and, not to sell the mother plate production equipment deemed obsolete to those who have prior piracy record or are suspicious/likely to commit piracy elsewhere (particularly Mainland China). See discussion *supra* note 186; see also *Intellectual Property Rights Initiative in Support of Legitimate CD Production*, 26 TOPICS/THE AMERICAN CHAMBER OF COMMERCE IN TAIPEI No. 5, 63 (May 1996); C.W. Ting, *Anti-counterfeiting Self-Pledge*, LEE AND LI BULLETIN, May 1996, at 4.

194. See 1996 ACTION PLAN, *supra* note 182, § 1.3.

### 3. Enhancing General Enforcement

On procedural matters, the 1996 Action Plan seeks to streamline and simplify the document verification process and prosecution; to initiate a series of continuing educational seminars for judges and prosecutors; and, to instruct prosecutors to place IPR cases on the highest priority and request the maximum penalty against alleged infringer or infringers.<sup>195</sup>

On substantive law matters, the 1996 Action Plan promises to study and find a way for United States copyright holders to enjoy a rebuttable presumption, *prima facie* evidence, of valid copyright in civil and criminal proceedings in Taiwan, much as what they now enjoy under the United States law.<sup>196</sup> The Plan also confirms that

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195. See 1996 ACTION PLAN, *supra* notes 182 and 189, § 2. One aspect that has attracted some concerns lately from the United States copyright industry is what constitutes the "appropriate formality" of powers of attorney ("POAs") in a criminal proceeding. Specifically, before the local representative or representatives of a foreign corporation may initiate any legal action in Taiwan, be it either a "self-prosecution" directly before the court or a formal complaint to the prosecutor's office, whether the local complainant, the duly authorized representative or representative, must bring forth a POA executed by the chief executive officer or chairman of that company (the intellectual property right holder) demonstrating proper authorization, as required by the current Taiwan Law (Articles 108, 208 and 372, Corporation Law). The United States companies complain that this requirement is too cumbersome and has resulted in loosing critical timing to initiate or maintain piracy prosecution. See IIPA, SPECIAL 301 RECOMMENDATIONS 372 (1998) [hereinafter 1998 SPECIAL 301 RECOMMENDATIONS]. Although not expressly spelled out, both Taiwan and the United States clearly understand that the POAs issue is part of this aspect of the 1996 ACTION PLAN. Consequently, the MOJ issued two directives stipulating that the validity of POAs shall be determined by *lex loci* (the law of the country or state) in which the Intellectual Property owning company is incorporated, instead of relying solely on Taiwan's domestic law and that prosecutors should appeal a court's ruling to the contrary. See Ministry of Justice Memoranda, (85) *Fa Chien Tzu Ti* No. 19,922 (Aug. 8, 1996), (86) *Fa Chien Tzu Ti* No. 3,322 (Aug. 28, 1997). Mindful, however, that these are the Executive Branch guidelines which courts do not necessarily have to follow. Indeed, the United States industry also complained that courts have been inconsistent and that even prosecutors may not have followed the rules themselves. See 1998 SPECIAL 301 RECOMMENDATIONS, *supra* at 373.

196. See 17 U.S.C.A. § 410(c) (West Supp. 1999). In a later document issued by the Ministry of the Interior, however, the Copyright Commission insists that a mere showing of a copyright certificate issued by that Commission will *not*, in and of itself, constitute *prima facie* evidence of truth or validity of the plaintiff's claims. This is because the Ministry (or Committee) does not conduct substantive examination in granting copyright certificates to its applicants. It follows that the plaintiff still bears the burden of coming forward with all evidence to support each and every claim in an infringement

the current Copyright Law already protects performers against bootleg recording.<sup>197</sup> However, neither the Copyright Law nor the Fair Trade Law directly addresses bootleg recordings or merchandise in their current versions, and it is indeed a strained reading to interpret the law administratively as such so as to by-pass the Legislature.<sup>198</sup> In other words, to render proper protection to performers against bootlegging, it would probably and inevitably require an amendment to the current Copyright Law, and major efforts need to be made to gain a favorable response from the independent-minded Legislative Yuan.

Other areas the 1996 Action Plan seeks to address include, *inter alia*, a confirmation that under Article 84 of the Copyright Law, both domestic and foreign copyright holders may request that articles, implements, or materials *solely* used for the illegal reproduction of computer software, decompilation, or audio-video works be subject to necessary and appropriate disposition, such as confiscation, and when the evidence is sufficient, total destruction.<sup>199</sup> The Action Plan commits continuous efforts for public education and

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suit. Courts are also urged not to use the Copyright Registry as the sole basis of its judgment on validity. See Ministry of the Interior Memorandum, *Tai (85) Nei Chu Fa Hui Tzu Ti* No. 8512559 (July 27, 1996). Hence, it is quite inconceivable that Taiwan would provide a more favorable treatment in a civil suit to foreign-issued copyright holders than its domestic right owners enjoy under this interpretation, let alone in a criminal case where the burden of proof ought to be much higher.

197. Cf., TRIPs Agreement, *supra* note 32, art. 14(1). "Bootleg recording" means an unauthorized recording of a live performance, musical or otherwise; "bootleg merchandise" means unauthorized merchandise bearing the names, trademarks, logos and/or likeness of performers or musical groups. See MCCARTHY'S ENCYCLOPEDIA, *supra* note 45, at 43.

198. The closest such interpretation that can be made is by relying on the Copyright Law art. 3(5), which defines "reproduction" as "the activity of reproducing a work by means of printing, copying, sound recording, video recording, photographing, transcribing or other tangible reproductions. Making sound recording or video recording while a play, musical work or any other similar work is being performed or broadcast . . . shall also be deemed as reproduction." *Id.* Note that although Articles 22-26 grant the exclusive right of reproduction, public recitation, public broadcasting, public presentation, public performance and public exhibition to a copyright holder; the premise is that there is a fixation and the party is already a copyright holder. These provisions, however, do not provide the exclusive right of reproduction to performers, nor do they address the situation when the unauthorized recording takes place before the performance is to be legally fixed/recorded and thus acquires copyright protection.

199. See 1996 ACTION PLAN, *supra* note 182, § 2.5. It remains to be seen to what extent the word "solely" is to be interpreted.

enforcement against parallel imports of patented or copyrighted products.<sup>200</sup>

In response to United States industry's latest demand that Taiwan must take proper measures in coping with issues derived from hi-tech development, the Copyright Commission promises to engage in studies and report their results to the public and the United States for comments.<sup>201</sup> These emerging issues include, *inter alia*, satellite, multimedia, the so-called "information superhighway" or Internet, and anti-circumvention measures such as decrypting equipment.<sup>202</sup> These promises, however, may not satisfy the demands of the United States industry, which wants to see legally binding commitments and concrete actions.

#### 4. Streamlining and Expediting the EMS

As indicated earlier, Taiwan implemented what may be the first Export Management System on computer software and trademark related products in the world but was rather unsatisfied with it having invested millions but achieved little. Recognizing that it would be impossible to phase out the EMS as yet, owing to American pressure, Taiwan turned to United States business complaints and responded in kind in the 1996 Action Plan. The government promises to streamline the EMS process by creating a one-stop "Customer Service Desk" which shall have enough resources to: (a) ensure quick response to questions and implementation of effective administrative penalties; and, (b) when appropriate, refer cases to the district prosecutor's office for additional criminal ac-

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200. See 1996 ACTION PLAN, *supra* note 182, §§ 2.7, 2.8.

201. See 1996 ACTION PLAN, *supra* note 182, § 2.10.

202. The Executive Yuan officially began the study of Taiwan's National Information Infrastructure ("NII") as early as August 1994, inspired by similar efforts of the United States government beginning a year earlier. See NII Steering Committee of the Executive Yuan, *The National Information Infrastructure (NII) of R.O.C.: Abstract*, (visited Feb. 7, 1999) <<http://www.nii.gov.tw/niieng/nii.htm>>. One of the top priorities is to study and revise all related laws and regulations concerning the NII, with intellectual property at the core. Thus, what this pledge intends to do arguably falls squarely within what Taiwan has done already and intends to achieve anyway. Almost immediately after the enactment of the 1997 Copyright Amendment, the Copyright Commission began drafting a new bill designed specifically for issues related to digital technology, including electronic commerce.

tions.<sup>203</sup> The government also pledges that it will develop a set of clear standards and guidelines on the processing status, including the need for supplemental information from the registrant, and imposition of administrative penalties, and make them available to businesses using the EMS.<sup>204</sup> Note that for computer software whose copyright holder is a foreign person natural or legal, like its paternal statute, the Copyright Law, the EMS adopts the Doctrine of Reciprocity, and would at present afford its protection *only* to citizens or residents of Hong Kong, Spain, the Republic of Korea or South Korea, the United Kingdom and the United States thus far.

This limited protection to foreign-originated computer software would certainly create problems, and indeed it did. A case in point is *Nintendo of America, Inc. v. NTDEC*<sup>205</sup> for copyright infringement and trademark damages.<sup>206</sup> The accused infringers are NTDEC, Nintendo Electronic Co., located in Taiwan, Mega Soft Inc., a California company which served as a front for the defendants, and four other individuals all citizens of Taiwan. Here the defendants openly acknowledged that they had knowingly sold counterfeit Nintendo video game cartridges to the United States and elsewhere from at least as early as 1990 and that they knew their actions were illegal.<sup>207</sup> In a default judgment, the district court held the defendants liable, both jointly and severally, and awarded Nintendo of America, Inc. ("NOA"), a wholly-owned subsidiary of Nintendo Co. Ltd. of Kyoto, Japan ("NCL"), more than US \$24

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203. See 1996 ACTION PLAN, *supra* note 182, § 3.1. 3I is the designated organization to handle the task, including the daily function of this newly created "Customer Service Desk."

204. See 1996 ACTION PLAN, *supra* note 182, §§ 3.2-3.4; see also EMS Rules, *supra* note 118, art. 4. It appears that the latest revision to EMS Rules did reduce the bureaucracy and red tape, therefore speeding up processing time. Based on the author's interviews with 3I officials, as long as the paper work is complete, the registration, hence protection, can take effect in as little as seventy-two hours, and the entire process is now by and large automated.

205. 822 F. Supp. 1462 (D. Az. 1993).

206. See *id.* at 1462. Although this is a federal district court case in the United States, its very nature, timing, and the large sum of damages involved received significant local media attention and coverage in Taiwan. Almost all the major print media reported this ruling on May 25, 1993 and subsequent dates.

207. The admissions were made during Nintendo's investigators' visit to the defendants' facility in Taiwan. See *id.* at 1464.

million in damages, and US \$109,000 for attorney fees. The court also granted a worldwide permanent injunction against the defendants from using the trademark of Nintendo or for any piracy act.<sup>208</sup>

Even before this case was decided, NCL had turned to Taiwan to seek enforcement of its rights there, but almost immediately encountered two major problems. First, the EMS was not in place when the infringement took place between 1990 and 92. Second, since Japan has only a limited reciprocal arrangement with Taiwan concerning copyright and trademark protection, the NCL was precluded from the EMS and could not register its software for protection within the system even after the system was installed.<sup>209</sup> Later on, the BOFT rejected yet another attempt to register Nintendo software, this time filed by NOA, on the grounds that the nationality of the copyright holder is nevertheless Japanese, regardless of the company's nationality. It was not until the USTR intervened on behalf of NOA and Taiwan fully ratified the United States-Taiwan 1992 IPR Understanding in March 1993 that BOFT finally changed its stance and registered NOA's software. Coincidentally and ironically, this took place just one day after the federal district court rendered its judgment on May 19, 1993, or May 20 in Taiwan.

A number of questions still remain unresolved. Note that the BOFT agreed to register Nintendo's products because they were filed by NOA and technically qualified as United States copyrighted software whereas products coming straight from Japan remain unprotected. The BOFT also maintains that the EMS Rules offer no retroactive protection, since protection begins on the date of registration and forward, but not before.<sup>210</sup> Thus, Nintendo can now effectively protect its software in Taiwan if, and only if, it is

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208. *Id.* at 1467-68. See also John R. Thomas, *Litigation Beyond the Technological Frontier: Comparative Approaches to Multinational Patent Enforcement*, 27 *LAW & POL'Y INT'L BUS* 277, 277-352 (1996).

209. In accordance with the Copyright Law, art. 4(1), a Japanese copyrighted work will be protected if it is (a) first published in Taiwan, or (b) published in Taiwan within 30 days after its initial publication elsewhere. Apparently none of the Nintendo software was registered within this time frame. Naturally this issue would not have occurred in a system where the rule of national treatment and non-formality is fully implemented.

210. See 31, SPECIAL INSPECTION CASE REPORT: ON NINTENDO'S SOFTWARE INFRINGEMENT (May 27, 1993).

registered under the EMS, and filed by NOA, on the premises that it has received United States copyright protection on or after May 1993. As a result, counterfeit businesses may continue to have a "field day" in pirating Nintendo software that falls outside of these parameters.<sup>211</sup> It follows that for companies or individuals of foreign origin whose country does not have a reciprocal arrangement on Intellectual Property protection with Taiwan, their only option is to fend for themselves. This is clearly not acceptable for both foreign companies and Taiwan's own interests. Thus, the 1996 Action Plan pledges to grant the enforcing agency (the "BOFT") authority to revoke trading privileges, such as export licenses, or to impose more severe administrative penalties against willful Intellectual Property infringers.<sup>212</sup> Meanwhile, Nintendo has taken a very aggressive stand in bringing legal and political action against Taiwan companies in the United States.<sup>213</sup> This strategy can be at-

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211. This occurrence, unfortunately, may be exactly what has happened since the court decision. Most of the co-defendants somehow managed to continue exporting their counterfeit products elsewhere by using a then still-valid export permit issued to them by the BOFT, prior to its accepting NOA's registration. Again, the BOFT simply cannot proceed and rule against the infringers' application for an export license without cause such as samples from the copyright holder. This is because of the presumption of innocence rule and the difficulty of *ex officio* investigations. In this case, the investigation team could only locate a few defendant-made video game cartridges on the street, and all of them represented the older, 8-bit oriented products that NCJ no longer manufactured. Obviously the accused infringers would claim that they were not counterfeit and the investigators have no way of knowing the truth of it without samples to compare. Evidently the co-defendants transported their entire piracy business out of Taiwan and invested in Mainland China later on. *Id.*

212. See 1996 ACTION PLAN, *supra* note 182, § 3.4. This obviously did not satisfy Nintendo and other firms in a similar situation, and, not surprisingly, they consistently insisted over the past several years that Taiwan should remain on the "Special 301" list. This immediately drew sharp response from the Minister of Economic Affairs of Taiwan, arguing that NOA simply ignored the improvement made in recent years and was unappreciative of the fact that his government had dispatched officials to NOA's headquarters to seek advice and mutual cooperation without much success. See *supra* note 119 and accompanying text. It does appear that after years of animosity, there is a serious lack of trust between the two sides:

213. So far NOA has brought formal legal actions in American courts against some of the largest chip manufacturers in Taiwan, such as the Taiwan Semiconductor Manufacturing Co. ("TSMC") and Winbond Electronic. See *Nintendo Sues Taiwan Semiconductor Maker*, SEATTLE TIMES, Feb. 22, 1997, at C1; *Technology Brief: Nintendo Co.*, ASIAN WALL ST. J., Mar. 21, 1996, at 8. At the same time, Nintendo has been one of the most aggressive players in filing annual Special 301 recommendations/complaints to the USTR. This development shows a twist. It appears the USTR will represent the interests



tributed to a number of reasons: (a) more Asian hi-tech firms, Taiwan included, have established their outposts or full-fledged assembly lines in the United States, making them fully accessible by the American judicial system; (b) a pending case in the United States will certainly add tremendous leverage to the accusing company's bargaining position over its counterparts overseas; and, (c) legal and political actions such as Special 301 process can complement each other, adding more credibility to the accuser's charge and negative publicity to the accused. Many other American companies also seem to want to join this trend but have so far achieved mixed results.<sup>214</sup> Conversely, foreign firms are also willing to use the American legal system against American companies on American soil, especially in disputes involving microelectronic devices.<sup>215</sup>

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of foreign businesses as long as they have a relatively significant presence in the United States. However, this may blur the line and raise the question of whether the USTR is in fact lobbying *indirectly* for a foreign interest and whether that is appropriate under the United States law and policy.

214. Intel sued United Microelectronics Corporation ("UMC"), Taiwan's second largest chipmaker in 1994 in federal court in California and Twinhead Corporation Taiwan's largest laptop or notebook computer manufacturer, in 1993 in the International Trade Commission for patent infringement. Microsoft sued U-TOP/U-WIN Printing Co., the largest software piracy case in the United States history in 1996 in a federal court in California and Datastate Corporation in a Taiwan court. On appeal, the Taiwan High Court affirmed a US \$1 million damage for Microsoft in 1993, the largest civil damage in Taiwan's history. See *Microsoft Corporation v. U-Top Printing Corp.*, No. C92-3736-SI, 1996 WL 479060, at \*1 (N.D.Cal. Aug. 13, 1996). For the criminal aspect of this case, see David Einstein, *Central Figure in Big Piracy Case Arraigned*, S.F. CHRONICLE, Sept. 17, 1996, at C3. Note, however, that sometimes a lawsuit may be actually motivated by factors other than IP infringement. For instance, analysts have questioned the real motives behind Intel's infringement action against Twinhead. They believe Intel merely used Twinhead as a "guinea pig" in an attempt to keep its microprocessor rivals tied up in legal action, instead of competing with them in the market place. See Tom Steinert-Threlkeld, *Intel Ask Probe of Taiwan Firm*, DALLAS MOR. NEWS, May 13, 1993, at 5D. Intel eventually lost its case against Twinhead and settled out of court with UMC. See *In the Matter of Certain Personal Computers with Memory Management Information Stored in External Memory and Related Materials*, ITC INVESTIGATION NO. 337-TA-352 (July 11, 1994) (where the Commission refused to hear the plaintiff's complaint); *Intel Loses Ruling to Collect Royalties on Taiwanese Clones*, WALL ST. J., June 17, 1994, at B10; *Technology Brief — Intel Corp.: Patent Dispute Is Settled with Company in Taiwan*, WALL ST. J., Jan. 4, 1996, at B5. In 1996, Intel brought another suit against UMC and with Hyundai Electronics Industries Co. Ltd. of Korea as co-defendant over alleged patent infringement of its DRAM controllers.

215. See Lawrence B. Friedman & Ayala Deutsch, *More Foreign Firms File IP Claims in U.S. Courts: An Increase in Foreign Ownership of Domestic IP Rights De-*

### K. *The 1998 Action Plan*

In response to a new round of United States complaints, and in an effort to avoid being placed on *any* category of the 1998 "Special 301" lists, the Ministry of Economic Affairs promulgated a new Comprehensive Intellectual Property Right Action Plan (the "1998 Action Plan"), charging the Board of Foreign Trade with the authority to conduct day-to-day operations of the plan.<sup>216</sup> As a result, the BOFT promulgated a new set of rules on computer software EMS on July 15, 1998. Among other factors, the new rules charge the Anti-Counterfeiting Committee with the responsibility of operating an "IPR Service Window" ensuring rapid handling and referral of piracy complaints, abolishing the issuance of software export certificates as a mean to streamline the administrative process, and strengthening United States-Taiwan bilateral cooperation in cracking down on piracy through international mail shipping carriers.<sup>217</sup> In addition, Article 21 of the Implementing

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*mands a Cross-Border Litigation Strategy*, NAT'L L. J., Oct. 28, 1996, at C34.

216. See MINISTRY OF ECONOMIC AFFAIRS MEMORANDUM, *Jin* (87) *Mau Tzu Ti* No. 87,260,408 (Apr. 22, 1998). Highlights of this Action Plan include, (1) cracking down on Mainland-Hong Kong-Taiwan piracy rings, (2) strengthened enforcement and improvement to the computer software EMS, (3) continuous raid on local copyright and trademark piracy activities, (4) better coordination among the judicial, prosecuting and other law enforcement authorities, which encompasses the POAs issue, (5) major educational effort and campaign for national awareness of Intellectual Property protection, and (6) strengthen international cooperation and exchange on Intellectual Property. Note that there is already an intergovernmental "Coordination Conference for the Protection of Intellectual Property Rights" in place and chaired by the Minister of Economic Affairs on a regular basis. It includes representatives from the MOEA, MOI (Copyright Commission, Department of Police Administration and Bureau of Aviation Police), Ministry of Foreign Affairs, Ministry of Education, Ministry of the Treasury (Customs Services), MOJ, Government Information Office and other invited guests (for example, representatives from the Mainland Affairs Council, in light of the growing importance of cross-Taiwan Strait enforcement). Although it is only an *ad hoc* organization without formal legal authority, its *de facto* authority is beyond questions. Its primary function is to coordinate the strategies and tasks on Intellectual Property related issues, especially on domestic enforcement, outreach efforts and international negotiations. This latest Action Plan was passed by the Coordination Conference's 19th meeting on April 8, 1998 as a follow-through of the 1996 Plan.

217. See *id.* The abolishment of export certificate requirement is in response to the local business complaint that their shipments have always been subject to at least several days of unreasonable delay, causing crucial time and monetary losses. It also reflects the no formality rule under the current copyright regime. With regard to piracy via couriers, the Action Plan pledges more in-depth, bilateral consultations with the United States car-

Regulations of the Trade Law is amended to provide customs with the legal basis to inspect and seize pirated software exports.

All indications demonstrate that the government of Taiwan has indeed placed various intellectual property legislative proposals on the front burner. Regardless of many ensuing controversies, the government seems quite determined to enact them soon, especially given the general expectation that Taiwan's accession to the WTO may be imminent.<sup>218</sup>

### III. FUTURE CHALLENGES FOR TAIWAN

As illustrated, Taiwan has come a long way in a relatively short time to drastically improve its Intellectual Property protection scheme. This reform path is anything but a straight line; rather, it is filled with fierce debate, along with cajoling, mud slinging and even occasionally minor violence. It appears, however, that Taiwan has indeed passed the first phase of reform, such as the installation of a superimposed system through diplomatic/political means, and entered into the next phase. At this phase, a self-initiated, self-imposed reform accomplished mostly through legal means gradually takes hold, and the system will mature. Much resembles the biotic process, and this legal reform is likely to experience further "growing pains" in the future, as can be seen even in the United States, European Union and Japan, countries or regions considered to have a more developed system for Intellectual Property protection. Consequently, there will no doubt be many challenges ahead in Taiwan's quest for better and more effective Intellectual Property protection.

The 1996 Action Plan should be considered the beginning of this second phase reform. The evolution of Taiwan's Intellectual

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riers in exploring effective means to curtail such activities.

218. On August 11, 1998, the USTR placed Taiwan back on the Special 301 "Watch list," however, citing the latter's continuous massive production and exportation of pirated CDs as well as various procedural obstacles in Intellectual Property enforcement such as the POAs issue, *see supra* note 195 and accompanying text. Taiwan immediately responded with a strong-worded statement, arguing that the United States government failed to respect Taiwan's judicial independence and this action was complacency to American industrial interests based merely on a few individual cases. *See* USTR PRESS RELEASE 98-77 (Aug. 11, 1998); MINISTRY OF ECONOMIC AFFAIRS PRESS RELEASE (Aug. 12, 1998).

Property system will inevitably intertwine with other legal development and therefore requires careful integration with its existing and fundamental legal infrastructure rooted in the civil law tradition.

### A. *Organizational Integration and Coordination*

Taiwan is undertaking a major task to streamline the government's organization in coping with ever-growing intellectual property operations. The first goal is to consolidate the patent and trademark operations in the present NBS the Copyright Commission, and the Anti-Counterfeiting Committee into a single Intellectual Property Office ("IPO") and place it under the MOEA, whereas the other goal of the NBS will be to strictly deal with issues related to national standards.<sup>219</sup> Hopefully, the new IPO will have an increased budget, facilities, personnel and other resources to meet future intellectual property challenges.<sup>220</sup>

However, by merely placing patent, trademark, copyright, and anti-piracy operations under the same roof probably will not solve many existing problems. One of the most pressing problems is that of the so-called "outside examiners" under the current patent system.<sup>221</sup> A unique design in view of global Intellectual Property

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219. See The Organizational Law of the Ministry of Economic Affairs art. 8 (amended Oct. 16, 1996). This statute specifically authorizes the establishment of IPB *by law*. In other words, it requires a formal legislative process, not just a set of administrative rules promulgated by the MOEA. The Executive Yuan (the Cabinet) passed a Draft IPO Organization Bill on February 27, 1997. See Minutes of the 2516th Conference of the Executive Yuan, 3 OFFICIAL GAZETTE OF THE EXECUTIVE YUAN, No. 11, 36 (Mar. 12, 1997). The future NBS will function much like the National Institute of Standards and Technology ("NIST") of the United States, which was also formerly called the National Bureau of Standards, although, unlike the NBS of Taiwan, it never directly handled intellectual property applications. This bill was enacted on October 15, 1996. See *supra* notes 160-161 and accompanying text.

220. See HUEIH-MEEI WU, STRENGTHENING APEC-WIDE COOPERATION, ADDRESS BEFORE THE APEC INDUSTRIAL PROPERTY RIGHTS SYMPOSIUM, (Aug. 29, 1996) <<http://www.jpo-miti.go.jp/apece/taipei.htm>>. Ms. Wu served as NBS' Deputy Director-General from May 1996 to February 1998.

221. See National Bureau of Standards Organization Law art. 13, which authorizes the Bureau to appoint scholars and/or experts to be commissioned as adjunct examiners, thus on a part-time basis). There is no stipulation in the statute concerning the minimum qualification of appointment, nor is it clear whether they are in fact subject to the same rules, such as confidentiality and conflict of interests, as in-house examiners are subject

practice, this system was originally intended as an expediency to give many in academia an opportunity to help solve the manpower shortage at the NBS. In time, what was meant to be a tentative measure became a permanent fixture and a field for political favoritism. Individuals with questionable credentials but certain connections were appointed as examiners. Without much formal training, the uneven quality of their work has been the subject of numerous criticism.<sup>222</sup> Yet the practice continues despite a government hiring freeze and budget constraints. Currently there are 580 outside patent examiners and less than 140 in-house examiners; this ratio has basically remained the same during the last decade.<sup>223</sup> Moreover, recently there was a proposal to increase the size

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to although it is widely believed that they are.

222. From the examiners' viewpoint, however, there is a sense that they have always been the scapegoat of the losing party's individual dissatisfaction. A more drastic example is the case of *In re Yang-ming Ceramic Co. Ltd.*, (86) *Pan Tzu Ti* No. 1343, The Administrative Court (May 29, 1997). The petitioner alleges that after the granting of his patent, it was improperly opposed by his competitors and a panel consisting of three outside examiners initially ruled in favor of his patent and dismissed the opposition. However, after the petitioner had received the notification of this decision which, he claimed, rendered it legally binding) but before the panel ruling was to be publicly released, the director of the NBS Patent Division put a hold on the release and turned the case over to an in-house examiner for further review. The examiner then invalidated the patent, and a legal battle ensued. After five years of legal wrangling, the Administrative Court closed the final page on the case in May 1997. While acknowledging flaws in the examination and review process, the court believed that those flaws only constituted harmless error since the petitioner's claims in question were not proved to contain any utility. On August 12, 1997, Yang-ming's president, Mr. Zhé-zhi Liu, conducted a public protest and suicide attempt, cutting his arm with a sharp blade in front of the MOEA building, to express his displeasure. The NBS also suffered casualties. Several employees were fired or sanctioned, and the Director General was replaced in part because of this incident. In addition, NBS has undergone several investigations on its practices. A criminal case on charges of forgery, abuse of power and fraud against several current or former NBS officials is now pending.

223. Those 580 outside examiners handle roughly half of the newly filed patent applications. This is in addition to the 324 approved, full-time patent, trademark and copyright examiners. See *supra* notes 160-161 and accompanying text. Between 1983 and 1994, the total number of patent applications under all categories, more than doubled, yet the NBS experienced a continuous shortage of qualified examiners. See NATIONAL BUREAU OF STANDARDS, MINISTRY OF ECONOMIC AFFAIRS, YEARBOOK OF PATENTS AND TRADEMARKS, THE REPUBLIC OF CHINA: 1995 24-32 (1995). Because of budget constraints, a hiring ceiling and an across-the-board freeze on government new hiring, the NBS had no other option but to continue relying on this pool of outside examiners. Recently the Bureau began to systematically put them in various training programs and treat them as regular examiners, such as grouping them under different categories based on

of the outside, part-time examiners, but it was quickly dropped after receiving heavy criticism.<sup>224</sup> On the other hand, the majority of full-time, in-house examiners still are *not* technically treated as permanent employees; rather, their contracts are subject to annual renewal or re-appointment, although that is more or less a *pro forma* matter. This nonetheless has not only affected their employee benefits, but also their morale and the quality of their work.<sup>225</sup> Despite a growing consensus that the NBS should phase out the outside examiner system as soon as possible and focus rather on recruiting and training more qualified in-house, full-time examiners, this goal may not be easily realized in the foreseeable future until after the consolidation of existing Intellectual Property agencies into a single IPB is completed.<sup>226</sup>

An integrated IPB could certainly make the setting of Intellectual Property policies and the coordination of related works easier and more efficient. Yet there is still the need for better “horizontal coordination” and delineation of duties among the various agencies charged with the responsibility of Intellectual Property enforcement. Currently, six ministries and one commission have Intellectual Property-related duties under the Executive Yuan, yet there have been “glitches” among their works.

For instance, the Department of Police Administration

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their expertise.

224. Mr. Ming-bang Chen, NBS' Director-General and the first Director-General of the IPO, initiated this proposal soon after assuming the job in early 1997. The criticisms come from legislators who insist that all part-timers should quickly and completely be phased out.

225. Interviews with NBS examiners (May & July 1997).

226. Initially the NBS developed a five-year plan to phase out the outside examination system while injecting more resources into the development of outside examiners in the interim. In January 1998, however, the Legislative Yuan passed an “append resolution” to the First Reading of the IPB bill, demanding specifically that the system be completely phased out in three years. Although technically without legal binding force, this resolution does carry enormous weight and has left the NBS in disarray, particularly among the many employees who are uncertain about their future. *See* discussion on the *IPB Bill*, *supra* note 223; *cf.* HUEIH-MEEI WU, *supra* note 220 (“Under the proposal [of agency consolidation], the amount of personnel serving with the Intellectual Property Bureau will be increased, and the system of retaining outside patent examiners will be abolished”). *See also* discussion *supra* note 66 and accompanying text. Finally, Article 17 of the Organization Law of the Intellectual Property Office simply mandates that *all* outside examiners are to be “decommissioned” in five years.

("DPA"), a part of the Ministry of the Interior may not necessarily oblige fully requests from the Anti-Counterfeiting Committee, a part of MOEA, having much to do with the DPA's own resource allocation, such as manpower, priority and scheduling.<sup>227</sup> The same happens between the 3I and the Customs Service, with the latter *not* being particularly capable of checking pirated computer software, given its highly technical details.

### B. Court Proceedings

To ensure speedy and more effective resolution of Intellectual Property disputes, Taiwan would need to amend a number of provisions contained in the Administrative Litigation Law, Civil Procedure Law and Criminal Procedure Law. Unlike the mere passage of a single statute designed to deal with a specific issue such as Intellectual Property, these revisions will go to and affect the fundamentals of Taiwan's legal basis and thus can be extremely difficult to make. There are at least four major areas that require significant reform.

The first area is the court's jurisdiction over Intellectual Property validity. Under the current system, either the Administrative Court or a common court must suspend an on-going litigation if the finding of another legal relationship or status is a condition precedent or determinative to the outcome of the pending case.<sup>228</sup> Therefore, in a patent or trademark infringement dispute or petition, as soon as the issue of patent or trademark validity is raised and often it will be, the entire case is put on hold while the issue is referred back to the NBS for determination.<sup>229</sup> The court simply does not have the authority to resolve this matter *de novo*. It follows that delay becomes a common practice for the accused infringer, which, if exercised skillfully, can distract and drastically

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227. Placed within the MOEA, the Anti-Counterfeiting Committee was established in 1982 to coordinate and direct Taiwan's nationwide campaign against patent and trademark piracy activities the copyright aspect falls within the Copyright Commission of the Ministry of the Interior. It has the authority to adopt provisional measures to curtail piracy, especially where delay is likely to cause irreparable damage to the rights holder. On January 26, 1999, it formally merged into the IPO. See *supra* note 19 and accompanying text.

228. See Administrative Litigation Law, art. 25; Civil Procedure Law, art. 182.

229. See Trademark Law art. 60; Patent Law art. 94.

prolong the litigation, causing enormous extra damages to the patent holder.

The second area is the formation of specialized courts for Intellectual Property disputes. One possible solution to avoid a major overhaul of the current system is to create a specialized Intellectual Property chamber or division within the existing judicial structure, while maintaining a balance between the interests of the IPR holder and the general public.<sup>230</sup> Special rules can be made to give this new court system the necessary jurisdiction and authority to allow parties themselves to conduct discovery as opposed to having the court conduct fact-findings. Yet there has been an ongoing, internal debate concerning the wisdom of such a system and interested parties will certainly engage in squabbling over the share of resources should this proposal really be put forward.

The third area of reform is improved discovery rules. In civil litigation, though courts still conduct *ex officio* investigations to uncover evidence under Civil Procedure Law, arts. 286-97, Taiwan has gradually moved away from a judge's inquisition and toward a discovery proceeding more or less conducted by the parties themselves under Civil Procedure Law, arts. 270, 271 and 277. However, no formal deposition or interrogatory process has been introduced into the current system. In criminal litigation, however, courts and the prosecutors obviously dominate the fact-finding process, although a prosecutor can only conduct investigations at the request of a party and after a formal complaint is filed. Because the "append jurisdiction" permits parties to combine their separate civil litigation with the criminal proceeding, the criminal courts and the prosecutors are now in fact engaged in fact-finding on behalf of the parties, causing a significant drain on judicial re-

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230. See 1993 ACTION PLAN, *supra* note 92. Note that although Taiwan pledged to establish a specialized Intellectual Property chamber or division, it was not realized until 1998. The following factors played a part: (a) the Legislative Yuan was unable to pass the statute granting authority to create such courts; (b) unlike some of the countries where Intellectual Property cases tend to be filed or focused on a certain jurisdiction, cases are widely scattered across Taiwan, making consolidation efforts more difficult; (c) there are not enough judges trained specifically in the Intellectual Property field; and (d) many judges fear being pigeonholed and "stuck" in the Intellectual Property area, thus affecting promotions.



sources.<sup>231</sup>

Another major controversy surrounding the discovery issue is the requirement of submitting a written assessment report by a patent owner or licensee before any *criminal* infringement action may be brought under Article 131, Paragraph 2 of the Patent Law.<sup>232</sup> Paragraph 3 then specifically spells out that failure to do so will render the complaint illegal, meaning a strong likelihood of dismissal with prejudice.<sup>233</sup> Paragraph 4 authorizes the Judicial Yuan and Executive Yuan jointly designate agencies and institutions "to take charge of a patent infringement assessment matters."<sup>234</sup> As a result, currently there are sixty-six "government designated patent assessment agencies" as such.<sup>235</sup>

In practice, courts have become so dependent on the assessment reports that the assessment agencies are the *de facto* claim

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231. Articles 487 to 512 of the Criminal Procedure Law permit the criminal court to "append" or consolidate what otherwise would be a separate civil litigation into one single proceeding, as long as it is based on the same crime or claim. With the exception of infringement on invention patent, all other types of Intellectual Property infringers are now criminally liable in addition to civil and administrative penalties. This has created a strong incentive for a potential plaintiff to first bring an action before the criminal tribunal, particularly for those who file cases *pro se* or have limited resources to cover attorney's fees and other litigation costs. Thus the prosecutor's office has in fact taken up the plaintiff's burden of proof. With the recent amendments to almost all Intellectual Property laws that allow a stronger civil penalty and protection against Intellectual Property infringers, the government apparently hopes that many cases will eventually flow back to the civil tribunal. See Ministry of Justice Memorandum, *Guidelines in Handling Criminal Prosecution for Copyright Violations*, (79) *Fa Chien Tzu Ti* No. 11079 (Aug. 2, 1990). See also discussion *supra* note 123, and accompanying text.

232. Patent Law art. 131, ¶ 2.

233. Patent Law art. 131, ¶ 3.

234. Patent Law art. 131, ¶ 4.

235. Initially the Executive Yuan and Judicial Yuan designated 67 such agencies on July 15, 1995, a few more were added and a few were dropped later on. For the most current list, see National Bureau of Standards Memorandum, MOEA, *List of Specialized Agencies for Patent Infringement Assessment and Fields of Specialization*, (86) *Tai Chuan Tzu Ti* No. 141522 (Oct. 24, 1997). There are conflicting opinions between the two branches on whether the requested "infringement assessment report" must be filed by one of the designated agencies. The National Bureau of Standards took the position that the government's list should not be mandatory. See National Bureau of Standards Memorandum, (83) *Tai Chuan (Yi) Tzu Ti* No. 15070, 107233 (Mar. 31, 1994). The Supreme Court of Taiwan, on the other hand, has in one recent case insisted that both the assessment and report must be done by one of the designated agencies. See Supreme Court of Taiwan, (86) *Tai Fei Tzu Ti* No. 76 (1997).

interpreters in a patent infringement suit, as a matter of fact and of law. Thus, should the two parties in a given case bring forth opposite reports before the court, a much prolonged legal battle is ensured, resulting uncertainties and inconsistencies in resolving patent disputes. On the other hand, many those designated agencies, ironically, seek to recuse themselves from assessing infringement and damages in the first place, citing apparent or potential conflict of interests, insufficient data, inadequate expertise, and unwanted entanglements in a law suit, in becoming a party of a suit that they have nothing to do with, as grounds.<sup>236</sup> This shows that unless courts quickly change their present attitude and seek to improve their ability to handle highly technical issues often seen in a patent infringement dispute, a mere reorganization of the court's structure simply will not be sufficient.

The fourth area is the appeals process. While courts cannot make findings regarding an IPR's validity, as a civil law tradition, the Civil Procedure Law ironically does *not* limit the appeals to the High Court with findings of fact only under extraordinary circumstances. Even judges of the Supreme Court would from time to time review the facts. The law indeed encourages the appellants to file new facts and new pleadings on appeal, therefore significantly lengthening the process under Articles 441 and 447. Another practical effect is that both parties try their best to withhold or conceal critical and advantageous facts until the appeal, and use the first trial to test their opponents' strength. As such, the Taiwan High Court has more or less become a duplication of its lower courts and judges are bogged down by an incredible backlog of cases. Meanwhile, there are not enough respectable opinions produced because the district courts' rulings are often based on partially given or discovered facts, whereas higher courts are busy clearing out existing, heavy caseloads.<sup>237</sup>

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236. For detailed discussions, see Hsueh-hui Wang, *Patent Infringement Assessment and Cases*, in ASIA-PACIFIC INTELLECTUAL PROPERTY ASSOCIATION, CONFERENCE MATERIALS ON PATENT PROTECTION SEMINAR SERIES (Jan. 21, 1999) (text in Chinese).

237. As can be seen, these are the common problems that go beyond Intellectual Property and have a broad impact. See CIVIL LAW IN QING AND REPUBLIC OF CHINA (Kathryn Bernhardt & Philip C. C. Huang eds., 1994), JOHN H. MERRYMAN ET AL., THE CIVIL LAW TRADITION: EUROPE, LATIN AMERICA, AND EAST ASIA (1994) (analyzing Taiwan's civil law tradition and issues).

It appears that Taiwan has gradually moved out of the traditional, rigid ideology that courts should strictly interpret the law, not create new laws. The annual publication, Tsui Kao Fa Yuan P'an Li Hui Pian ("Compilation of Precedents of The Supreme Court"), serves as a clear statement that even under the civil law structure, these carefully selected opinions by the Judicial Conference will be given no less than *stare decisis* authority. On the other hand, in recent years, courts are showing more independent thinking than ever before. Courts currently reverse roughly ten percent of agency decisions—a rate unthinkable even a decade before.<sup>238</sup> More judges are selected each year to participate in international Intellectual Property exchange or training programs. This has given them much-needed international exposure to the global Intellectual Property development and discussion, such as the controversies over rules on patent claim interpretation, such as the doctrine of the equivalents, trademark dilution, and the problems revolving digital transmissions as in Internet transactions or "transient reproduction".<sup>239</sup>

### C. International Interactions

Since the mid-1980s, Intellectual Property has moved to center stage and become a key component of the international trade agenda and negotiations. Amidst this development and in view of its own economic development and structure, Taiwan intends to turn itself into a "Asia-Pacific Regional Operation Center" ("APROC"), with an ambition to transform the country into a "hi-

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238. See JUDICIAL YUAN, SZU FA AN CHIEN FEN HSI [ANALYSIS OF JUDICIAL CASES], 635-66 (1994).

239. See Justice Peggy Pi-hu Hsu, *An Overview on Intellectual Property Related Litigation in the Republic of China (ROC)*, in INTELLECTUAL PROPERTY PROTECTION IN THE ASIAN-PACIFIC REGION: A COMPARATIVE STUDY, OCCASIONAL PAPERS/REPRINT SERIES IN CONTEMPORARY ASIAN STUDIES 19-26 (Paul C. B. Liu & Andy Y. Sun eds., Univ. Maryland School of Law 1996) (analyzing Taiwan's judicial process with respect to Intellectual Property cases) and Bruce E. O'Connor & David A. Lowe, *Comparative Analysis of Intellectual Property Dispute Resolution Processes in Mainland China, Taiwan and the United States*, in INTELLECTUAL PROPERTY PROTECTION IN THE ASIAN-PACIFIC REGION: A COMPARATIVE STUDY, OCCASIONAL PAPERS/REPRINT SERIES IN CONTEMPORARY ASIAN STUDIES 57-132 (Paul C. B. Liu & Andy Y. Sun, eds., Univ. Maryland School of Law 1996).

tech island.”<sup>240</sup> To accomplish this goal, Taiwan must establish a clear track record of adequate and effective Intellectual Property protection as well as full market access from within. Simultaneously, both the government and citizens of Taiwan should pay close attention to global developments, abide by international norms and seek out opportunities to participate in international Intellectual Property harmonization efforts.

An important recent development in the United States is the passage of the Economic Espionage Act of 1996 (“EEA”), which imposes severe criminal penalties on trade secrets thefts.<sup>241</sup> In accordance with the Federal Bureau of Investigation (“FBI”), “high-technology and defense-related industries remain the primary targets of foreign economic intelligence collection operations. The industries that have been the targets in most cases of economic espionage and other collection activities include biotechnology; aerospace; telecommunications, including the technology to build

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240. See Matei P. Mihalca, *1997-1998 Taiwan White Paper*, 27 TOPICS/THE AMERICAN CHAMBER OF COMMERCE IN TAIPEI No. 7, 13 (Sep. 1997). The APROC Project was launched in 1995 as the government’s main effort to reinvigorate Taiwan’s slowing economy. In light of Hong Kong’s reversion of sovereignty to China on July 1, 1997, the Project sought to strengthen Taiwan’s own transshipment base so that it no longer needed to depend as much on Hong Kong. In addition, the Project intended to attract more foreign direct investment should a speculated exodus of funds occur. The White Paper, the annual assessment of the local investment and economic environment by the American Chamber of Commerce in Taipei [hereinafter AmCham White Paper], took a negative view on the implementation of the APROC Project, and it drew a quick response from the government and many discussions in Taiwan. The slogan “Chien She T’ai-wan Ch’eng Wei K’o Chi Tao” (“To Build Taiwan into a Hi-tech Island”) officially took hold in April 1997, after Harvard University professor and management expert Michael Porter suggested to senior government officials and business leaders that Taiwan should focus itself on capturing cutting-edge hi-technology industries. See NATIONAL SCIENCE COUNCIL, WHITE PAPER ON SCIENCE AND TECHNOLOGY (July 1997).

241. Pub. L. No. 104-294, 110 Stat. 3488 (codified at 18 U.S.C.A. §§ 1831-39 (West 1998)). This statute provides for a maximum penalty of 15 years in prison and \$500,000 fine for theft of intellectual property for a foreign entity; it also imposes a \$10 million fine on any organization which steals or destroys trade secrets of value with the intent to benefit any foreign government, instrumentality or agent under section 1831. Enacted with strong bipartisan support, this law for the first time establishes a federal trade secrets right, although a private cause of action is not yet available. Supporters hail this law as a guardian of the United States economy and technology advancement. Critics, however, call this over-kill and suggest that it may have already affected the morale of many employees and job mobility in the United States, hence it has caused a competitive advantage.

the National Information Infrastructure; computer software/hardware; advanced transportation and engine technology; advanced materials and coatings, including 'stealth' technologies; energy research; defense and armaments technology; manufacturing processes; and, semiconductors."<sup>242</sup> Therefore, these are also the areas receiving top priority in FBI enforcement.<sup>243</sup> As of November 1997, four cases were brought under this law, with an indictment returned by the grand jury in each case, and two of them involve Taiwan citizens and/or companies.<sup>244</sup> It may be coinci-

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242. See *Hearing on Economic Espionage, Statement before the U.S. Senate Select Committee on Intelligence and U.S. Senate Committee on the Judiciary, Subcommittee on Terrorism, Technology and Government Information*, 105th Cong. 1st Sess. (1996) (statement of Louis J. Freeh, Director, FBI).

243. James Kallstrom, Assistant Director of the FBI, is quoted as saying "[economic espionage] is the most significant threat to United States national interests since the collapse of the Soviet Union." *Id.*; see also Charles M. Sennott, Judy Rakowsky and John Yemma, *Business of Spying - Corporate Espionage Succeeds Government Espionage, with U.S. Firms as Top Targets*, MINN.-ST. PAUL STAR TR., Feb. 4, 1997, at 1D.

244. The first case under the EEA was *United States v. Worthing*, Crim. No. 97-9 (W.D. Pa. filed Dec. 7, 1996) (involving two brothers who intend to steal the secrets of their employer, PPG Industries, Inc. of Pittsburgh, PA, a fiberglass manufacturer, and tried to sell them to PPG's competitor, Owens Corning. Outcome: both defendants pleaded guilty and are serving prison terms). The second case was *United States v. Hsu*, 982 F. Supp. 1022 (E.D. Pa. 1997), *rev'd*, 155 F.3d 189 (3d Cir. 1998) (involving the alleged stealing of Taxol technology, an anti-breast cancer drug produced by Bristol-Myers Squibb Co. of Evansville, IN.) The three defendants, James Hsu, Chester S. Ho (a biotechnology professor of National Chiao-tung University), and Jessica Chou, all affiliated with Taiwan's Yuen Foong Paper Co., were indicted in July 1997. The third case was *United States v. Pin Yen "Pat" Yang*, Crim. No. 1:97MG0109 (N.D. Ohio filed Sept. 4, 1997) (involving the alleged stealing of pressure-sensitive adhesive technology from Avery Dennison Corporation of Concord, OH). The two defendants, P. Y. Yang, founder and chairman of Taiwan's Four Pillars Enterprise Co., and his daughter, Sally Hwei-Chen, a senior official of Four Pillars, were indicted in October 1997. The fourth case, and certainly not the last, was *United States v. Davis* before the United States District Court, Middle District of Tennessee in 1997. The case involves the illegal disclosure of and intent to sell trade secrets of a new shaving system from Gillette Co. of Boston, MA to its two competitors. The defendant was indicted in September 1997. As of August 1998, three more EEA-related cases were reported. The cases are: *United States v. Trujillo-Cohen* before the United States District Court, Eastern District of Texas in 1998; *United States v. Campbell*, before the United States District Court, Northern District of Georgia 1998; and *United States v. Huang Dao Pei* before the United States District Court, District of New Jersey in 1998. See FBI Press Release, *Economic Espionage/Statement of FBI Director Louis J. Freeh* (July 10, 1997); see also Dean Strakman, *Secrets and Lies: The Dual Career of A Corporate Spy*, WALL ST. J. Oct. 23, 1997, at B1.

dental, but this development nevertheless demonstrates the United States Government's determination to crack down on intellectual property, here trade secrets, infringers, domestic or international. So far there is not enough evidence to suggest, however, that the FBI has targeted Taiwan in its enforcement of the EEA or that the two cases are part of a bigger, politically motivated, plot to blackmail Taiwan's accession to the WTO. It is also premature to conclude that the FBI agents entrapped the defendants, although such charges have indeed been made, even by some of the most senior officials in Taiwan.<sup>245</sup>

In addition to EEA, the Federal Trademark Dilution Act of 1995 and the Anti-Counterfeiting Consumer Protection Act of 1996 are some of the latest developments in the United States that could have significant impact on global trademark protection.<sup>246</sup> On the international front, the busy agenda of WIPO and decisions coming out of the WTO will have an equal or greater influence over how nations react to those emerging Intellectual Property issues.<sup>247</sup>

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245. See *Taiwan Denies Scam Claim: Economic Minister Rejects US Report Suggesting Government Behind Theft Attempt*, CHINA TIMES, June 22, 1997; see also Bruce Cheesman, *Industrial Spy Case Puts Heat on Taipei Copycat Drug Firms*, BUS. TIMES (SINGAPORE), June 24, 1997. In the case of *Kai-lo Hsu*, there is a wide belief among officials and business leaders in Taiwan that the U.S. government is exercising a pressure tactic by intentionally intimidating Taiwan due to stalled bilateral consultations on Taiwan's accession to the WTO. Many believe that the FBI framed the defendants. See *Industry Slams Taiwan over Alleged Drug Copying*, MARKETLETTER, June 30, 1997. Meanwhile, Mr. Cheng-hao Liao, Taiwan's Minister of Justice, has openly rejected any attempt to extradite the third defendant named in the case, Jessica Chou, to the United States to stand trial, and he indicated that Taiwan will conduct its own investigation of the matter. Mr. Chih-Kang Wang, Taiwan's Minister of Economic Affairs, urged local businesses to carefully study foreign laws to avoid misunderstandings. See *Taiwan Refuses to Extradite Third Suspect in US Trade Secrets Case*, AGENCE FRANCE-PRESSE, July 11, 1997.

246. Pub. L. No. 104-98, § 3(a), 109 Stat. 985 (effective Jan. 16, 1996) (codified at 15 U.S.C.A. § 1125(c) (West Supp. 1998)).

247. Examples include the World Intellectual Property Organization Copyright Treaty, adopted by Diplomatic Conference at Geneva, Dec. 20, 1996, 36 I.L.M. 65 (1997) [hereinafter WIPO Copyright Treaty]; Phonograms Treaty, *supra* note 135; and Trademark Law Treaty (adopted at Geneva on Oct. 27, 1994), in WIPO, *Industrial Property and Copyright, Industrial Property Laws and Treaties, Multilateral Treaties*, Jan. 1995, at 1-12. Other developments include the Draft Treaty Supplementing the Paris Convention for the Protection of Industrial Property as Far as Patents Are Concerned (Patent Law Treaty), WIPO Doc. PLT/DC/3 (Dec. 21, 1990) [hereinafter Draft Patent

### CONCLUSION

The experience of Taiwan's Intellectual Property reform provides at least several critical lessons for the global community. Although each nation has its own unique circumstances, cultural differences and economic infrastructure, these lessons may nevertheless prove to be extremely valuable for all those involved in Intellectual Property reform and perfection.

To illustrate, although unilateral pressure *can* produce quick gains, this tactic must be exercised carefully so as not to jeopardize the long-term relationships and the need for strategic alliances. Even the appearance of over-zealousness, arrogance and self-righteousness must be avoided. Even if a nation does undertake to change its domestic laws, in order to create true, meaningful reforms, the changes must always go hand-in-hand with a number of other factors. These factors, for example, are the state of economic development, public education level and awareness, integrity of the government, and the availability or accessibility of information.

While a nation may be under outside pressure to make certain changes, it is domestic pressure that prevails on certain critical

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Law Treaty]. WIPO is reviewing the international protection of well-known marks under Article 6<sup>bis</sup> of the Paris Convention. See Jeffrey M. Samuels & Linda B. Samuels, *Recent Developments in Trademark Law and Practice*, 79 J. PAT. & TRADEMARK OFF. SOC'Y 181, 190 (Mar. 1997). Draft provisions on this subject were reviewed by a Committee of Experts meeting in Geneva on October 28—31, 1996. See *id.* The current draft provisions provide for protection of "well-known" marks regardless of whether the mark is used or registered in the territory in which protection is sought; requires that the mark be well-known by the "relevant sector of the public" in the territory in which protection is sought; sets forth criteria for determining whether a mark is "well-known," such as the potential customers of the goods, the channels of distribution, and the duration, extent and geographical area of use; provides the owner of a well-known mark with protection against the use of the same or similar mark on the same or similar goods, provided a likelihood of confusion exists; provides the owner of a well-known mark with protection against the use of the same or confusingly similar mark on dissimilar goods, provided such use would indicate a connection between the parties, or impair the distinctive character of the well-known mark, or take unfair advantage of the distinctive character of the well-known mark or is otherwise likely to damage the interests of the owner of the mark. *Id.* In addition, on-going dialogue and/or studies on Internet domain names, geographic indication, database, and folklore protection at WIPO are destined to impact the future agenda and direction of global Intellectual Property protection. Hence, regardless of WIPO or WTO membership, there is no reason for Taiwan to fail to adopt the same international norms in its future Intellectual Property development.

elements in the end. Hence it is utterly critical for the outside pressure a source or sources to identify and work with the inside. This is particularly true in the event the pressured nation has achieved a certain level of democracy and its parliament or congress) and courts no longer follow the order of the Executive Branch. The most effective tool to convince that nation's leadership of the need for better Intellectual Property protection is the pressure from within, that is a self-initiated urge that stronger Intellectual Property protection is more to the benefit of that nation than to foreign states. An unequivocal commitment from the political leadership is perhaps the single most critical element to further momentum for reform.

The pressuring country may need to commit a good deal of resources to assist the pressured nation's Intellectual Property reform. In fact, this may constitute "nation building," with significant time and money being devoted to technical assistance, economic development and public education. Thus the pressuring country must prepare itself for the long run, where it may be ridiculed or opposed by the people and government of the pressured country in making this effort a success.

Finally, the strategy of carrot and stick does work. Thus the pressuring nation should not get carried away and cast the effort under a negative light. In other words, even in the most difficult times, such as during a round of highly controversial negotiations, both sides should nevertheless maintain good balance, tune in to the actual situation in both societies, and exercise their restraint from making provocative statements or taking actions that could irreparably damage relations.

After many painful struggles for a decade and a half, the word "remarkable progress" is now bestowed on Taiwan's Intellectual Property reform. Yet this is anything but another "economic miracle"; rather this is the collective effort of many people and serious commitment from the entire society. By and large Taiwan has met or even surpassed in some regard the international standards on Intellectual Property protection, yet there are still areas that require further reform, which include, *inter alia*, transparency, market access and national treatment. The most recent round of Taiwan's Intellectual Property reforms can be viewed as very politically



smart, yet somewhat risky. By delaying the effective date of the amendments, Taiwan intends to now use these half-ready domestic laws as political leverage in exchange for more favorable terms in its WTO accession negotiations, not just with the United States but all other nations. In other words, now the pressure is reverted back to the very same business lobbying forces that have traditionally pressed hard on the USTR and EU negotiators to gain headway with Taiwan. Apparently Taiwan's calculation is, now that it has done what *can* be done, those foreign industrial lobbies will start pressuring the USTR to give the go ahead on Taiwan's WTO accession.

An island of the size of the states of Maryland and Delaware combined, Taiwan has been the seventh leading export market of the United States, the fifteenth largest economic power in the world, and has indeed become a major global economic player. Thus it really should be included in future international Intellectual Property discussions. Yet the political situation between the two sides across the Taiwan Strait casts a constant spell over this proposition. As a result, Taiwan is very much treated by the world community as an outcast, pushed to follow what others have done after-the-fact and without any say. This situation has taken a toll on the morale and self-esteem of the island's population and has resulted in bursts of anti-American sentiment from time to time. This political reality is unlikely to change in the foreseeable future, however. Yet Taiwan's efforts and experiences should be told and learned. The world *can* be a better place and significant improvement *can* be made in a relatively short time. Even for countries plagued with Intellectual Property problems, as long as their leaders make the same commitment, and employ the same concrete efforts to carry Intellectual Property reforms through, as Taiwan continues to do.

## APPENDIX

TABLE I

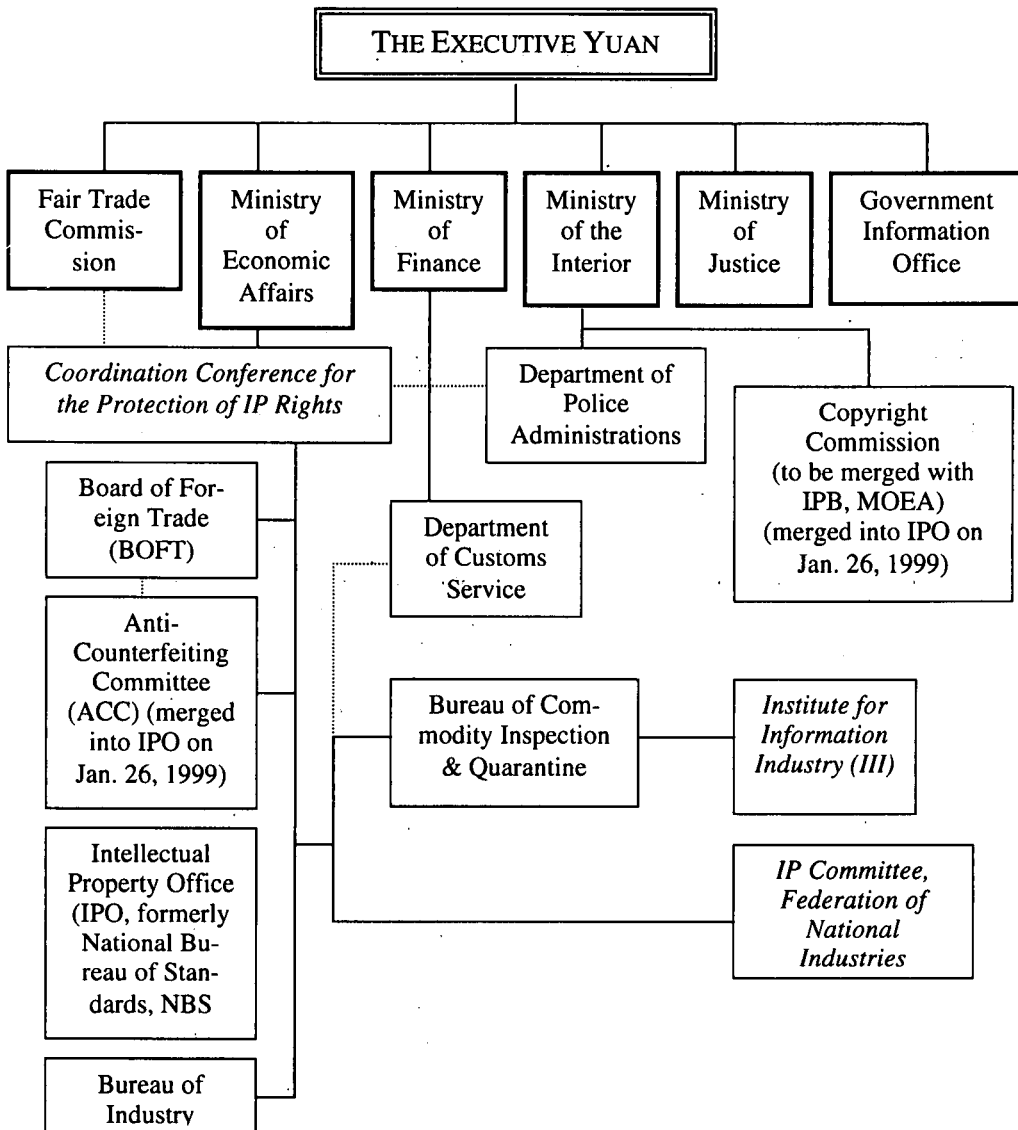
INTELLECTUAL PROPERTY ENFORCEMENT ORGANIZATIONAL LAYOUT:  
THE EXECUTIVE BRANCH*(as of January 1999, revised from Institute for Information Industry Chart)*

TABLE II  
 INTELLECTUAL PROPERTY ENFORCEMENT ORGANIZATIONAL LAYOUT:  
 THE JUDICIAL BRANCH  
 (as of January 1999)

