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Minor changes bring major advantages for patent owners

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Although the newly amended Patent Law was enacted only on 1st January 2013, a follow-up amendment was reviewed and passed by the Legislative Yuan on 31st May 2013, a mere four months later. The amendment was promulgated by the president and became effective on 11th June 2013. Although only four articles were amended, the amendment has had a major impact on prosecution and litigation.

In general, the amendment seeks to provide better protection for a patent owner and is expected to resolve three major issues:

- The previously disadvantageous position of an applicant that files an application for both an invention and a utility model patent at the same time.
- The calculation of infringement damages.
- The abusive issuance of warning letters for utility model patent infringement.

No loss of utility model protection after selection for invention-plus-utility model patent applications

A unique prosecution mechanism is built into the Patent Law, which allows an applicant to file an application to register both an invention and a utility model application (invention-plus-utility model applications) for the same invention on the same date. Because a utility model application requires merely a formal examination and is normally granted six months after filing, the timeline is much shorter than that for an invention patent and the applicant can thus obtain protection earlier. However, the applicant must make a selection before allowance of the invention patent application in order to avoid generating double patents.

Previously, if the applicant selected the invention patent application, the utility model application was deemed non-existent *ab initio*. This mechanism results in the applicant losing its right to claim prior infringement based on the utility model patent if it selected the invention patent. In addition, many contractual issues were raised if the utility model patent was the subject of a licence agreement. As such, the amendment states that the utility model patent will continue to exist until such time as the corresponding invention patent becomes effective. Thus, an invention-plus-utility model patent applicant can be protected by a utility model patent in the period between allowance of the utility model patent and the invention patent.

Better monetary compensation: equivalent royalty to reasonable royalty

This amendment is expected to encourage rights holders to claim damages on a royalty basis. Previously, a rights holder was entitled to claim the equivalent amount of royalty that may be collected from exploiting the invention patent under licence. However, this "equivalent royalty" compensation, in view of a monetary cost, did not differentiate between infringers and licensees; this result could encourage a party to infringe directly rather than seeking a prior licence. Thus, the Patent Law has been amended to stipulate that damages can be calculated on a reasonable royalty basis. In addition, such a reasonable royalty may be higher than an existing contractual royalty due to the inclusion of other calculations of the losses suffered (eg, litigation fees) by the rights holder against the infringer.

Return of triple punitive damages

There has always been debate in Taiwan over whether to include punitive damages in the Patent Law. Punitive damages were provided for in the Patent Law 1994, but the punitive damages clause was removed by the amended law enacted in January. However, the legislature reconsidered the public interest and concluded that no abuse of punitive damages occurred in connection with infringement in IP court judgments, and therefore the punitive damages clause should remain in the Patent Law. As such, the amendment stipulates that punitive damages can be assessed at up to three times the amount of actual damages.

Official technical report required for issuing utility model patent warning letters

A utility model application is granted after a formal examination only, but anyone can request the Taiwan Intellectual Property Office (TIPO) to issue a technical report providing its opinion on the substantive validity requirements (ie, utility, novelty and inventive step) of a utility model patent. As such, it is easy for a person to obtain a utility model patent and then issue warning letters that threaten competitors. In order to minimise the abusive issuance of such warning letters based on utility model patents, the amendment expressly prohibits warning letters alleging utility model patent infringement without attaching a relevant TIPO technical report.



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Comment

The amendment to the Patent Act makes only minor changes to the patent system. However, these changes are important and may improve the prosecution and enforcement of patents in Taiwan. It is expected that the amendment will encourage inventors to prosecute more invention-plus-utility model patent applications and will offer rights holders more flexibility when claiming damages in patent litigation.

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