

# Intellectual Asset Management

## International reports



### Amended Trade Secrets Act gets tougher on trade and industrial espionage

#### Formosa Transnational - Taiwan

#### Yulan Kuo, Han-Wei Lin

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The inadequacy of the Trade Secrets Act, which came into effect in 1996, has been widely discussed, particularly in light of some 2012 cases in which several former high-level executives of Taiwanese high-tech companies allegedly acquired technological secrets before leaving those companies and passing such secrets to competitors in mainland China. As a result, the Taiwanese government was expected to review the act.

In response to complaints that the existing regulations were inadequate to safeguard corporations' trade secrets and to ensure better international competency, a draft amendment to the act was passed by the Legislative Yuan on 11th January 2013 and promulgated on 30th January 2013.

With significantly higher fines and longer prison terms for offenders, as well as additional penalties levied on cases involving the misappropriation or delivery of trade secrets abroad, the new act is much tougher than the previous legislation. A person who acquires or copies a trade secret by improper means is subject to a maximum prison term of five years and minimum fines of NT\$1 million. Further, trial courts can impose an additional fine of three times the amount of the illegal gains if such illegal gains exceed the maximum fine of NT\$10 million. According to the new act, whoever attempts to disclose a trade secret to or use a trade secret in a foreign country or mainland China, Hong Kong or Macau may be imprisoned for between one and 10 years and fined between NT\$1 million and NT\$50 million. If the gains exceed the maximum fine of NT\$50 million, the court can increase such fine by two to 10 times its value at its discretion.

As it is always difficult for the injured party to prove actual damages in trade and industrial espionage cases, the act provides that an injured party has two options:

- To make a claim based on actual damages. However, if the injured party is unable to prove the amount of damages, the party may take as damages the amount of profits normally expected from the use of the trade secret minus the amount of profits earned after the misappropriation.
- To request the profits earned through the act of misappropriation from the party which misappropriated the trade secret. However, if the misappropriating party is unable to prove the costs or the necessary expenses, the total income gained from the act of misappropriation shall be deemed to be the profits.

To protect the injured party's trade secrets better during a lawsuit, the court may establish a special tribunal or appoint a designated person to administer the case. If the assertions or defences advanced by the parties relate to trade secrets the court may, at the request of the parties and as it deems appropriate, close the trial to the public and/or restrict access to the litigation files.

Taiwan, like other civil law jurisdictions, has no discovery procedures. Therefore, it is nearly impossible for the injured party to put forward enough evidence to build the case in a civil action; instead it usually tries to obtain assistance from the police or the Ministry of Justice Investigation Bureau by initiating a criminal procedure. The creation and expansion of criminal liability in the act may better help injured parties with the discovery limitations in trade and industrial espionage cases. Once the amended act takes effect, the Taiwanese government will consider amending the Communications Security and Surveillance Act to authorise the police or the Investigation Bureau to wiretap suspects in future trade and industrial espionage cases.

#### For further information please contact:

Yulan Kuo  
Formosa Transnational  
[www.taiwanlaw.com](http://www.taiwanlaw.com)  
Email: [yulan.kuo@taiwanlaw.com](mailto:yulan.kuo@taiwanlaw.com)  
Tel: +886 2 2755 7366



Yulan Kuo



Han-Wei Lin



美國法律事務所  
Formosa Transnational  
Attorneys at Law

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