

Brief Introduction to Key Points of the Amendment to the Trademark Act

1. Motives and Timeline of the Amendment

Under the rapid development of industries and businesses and vigorous and diverse changes in the models of business and trading of recent years, many provisions of the Trademark Act 2003 (hereinafter, “the Act”) are insufficient for practical application. Furthermore, provisions pertaining to trademark infringement also give rise to different interpretations in judicial practice. In view of the fact that products with trademarks are circulated internationally, and that the Singapore Treaty on the Law of Trademarks (STLT) for the harmonization of trademark application procedures was adopted by the Diplomatic Conference in Singapore in March 2006 (which came into effect in March 2009), it is necessary to conform the Act to international trend by adjusting relevant provisions of the Act, so as to afford better protection for trademark rights. Hence, beginning in 2006, Taiwan Intellectual Property Office (TIPO) actively conducted reviews of the relevant provisions of the Act. Six public hearings for the amendment to the Act and six advisory committee meetings with experts and scholars were also held beginning in 2008. After integrating opinions from different sectors, the Amendment to the Act (hereinafter, “the Amendment”) was prepared. It was then passed by the Legislative Yuan on May 31, 2011, and was promulgated by President Order on June 29. The date of enforcement of the Amendment, which TIPO estimates to be in June 2012, will be decided by the Executive Yuan.

2. Key Points of the Amendment

1) Expanding the scope of objects protectable as trademarks

Under the rapid development of industries and businesses and vigorous and diverse changes in the models of business and trading of recent years, the scope of objects protectable as trademarks should not be limited to trademarks in traditional forms. The current Act provided that a trademark applying for registration and protection may only be composed of a word, device, symbol, color, sound, three-dimensional shape or a combination thereof. The Amendment provides that any signs

that are distinctive enough to identify the source of goods or services are now protectable as trademarks. Therefore, a sign such as motion or hologram can be registered as a trademark. This amendment encourages industries and businesses to create value and reputation for their trademarks.

2) Providing definition for different types and acts of trademark use

There are two types of trademark use, namely, use by the proprietors of registered trademarks for maintaining rights and use in the form of trademark infringement. Although purposes of these two types of use are different, both of them have to be assessed in the course of trade. The current Act does not provide specific business acts in the course of trade. To clarify that, the Amendment provides several kinds of act of use. To adapt to the economic development of e-business and the Internet, the Amendment also provides that acts of use include the use by digital audio-visual means, electronic media, on the Internet, or through other media.

3) No more two-installment payment option for registration fee

The motive behind the two-installment registration fee was to force the proprietors of trademarks to use their trademark effectively, eliminate trademarks for goods that have a shorter lifespan on the market, and reduce the burden of the proprietors. However, as registration fee is only NT\$ 2,500, such payment practice could not accomplish the aforementioned purposes. Therefore, the two-installment payment option for registration fee is abolished in the Amendment. This would reduce the risk of the proprietor losing his trademark rights from unintentional delay in making the second payment.

4) Accepting coexistent registrations with consent only when the registration is not obviously improper

The Act provides for coexistent registrations with consent, only when both trademarks and designated goods/services are not identical. Further, when the latter application is filed with consent from the proprietor of the conflicting registration or the applicant of the conflicting earlier application, the application can be approved for registration. However, in practice, the proprietors of trademarks continue to provide consent to registered trademarks even after their trademarks have been restricted for disposition by court ruling. As a result, a third party acquiring trademark rights

through court auction faces coexistent trademark on the market, which in turn affects such party's rights, and causes confusion as to the source of goods/services. To fix this, the Amendment provides that, in order to comply with the purpose of the legislation, when the latter application is filed with consent from the proprietor of the conflicting registration or the applicant of the conflicting earlier application, the application cannot be approved for registration if the registration is obviously improper. With regard to consent in a group or between related enterprises for global arrangement or market management, it will not be obviously improper if both trademarks and designated goods/services are not identical.

5) Allowing reinstatement of rights for registration fees not paid within time limits

Before the amendment, when the registration fee notice was served by the TIPO and the applicant did not pay the fee within time limit because he was out of the country or of other unintentional reasons, as these reasons are not natural disasters or attributable to the applicant, the applicant could not apply for reinstatement of rights or take other relief measures. Since the applicant had spent a lot of time and money from the time of filing to being approved for registration, while the TIPO had also spent tremendous administrative resources on examination and approved the application after everything was lawful, therefore, the Amendment provides that those who unintentionally failed to pay registration fees within prescribed time limits can apply for reinstatement of rights with the said fees being made in double. However, to maintain the stability of rights and prevent confusion of coexistent trademarks, the Amendment also provides exceptions in which reinstatement of rights is not allowed if, during such period, an application was filed by a third party who believed that there was no conflicting prior mark or an application has been approved for registration by the TIPO.

6) Adjusting the time when the request for division or restriction of designated goods/services can be made

A. Adjusting the time when the request for division or restriction of designated goods/services can be made by the applicant of a trademark application for registration to the time before the disposition of rejection is made

Before the amendment, when the disposition of rejection was made, the applicant could request for division or restriction of designated goods/services to

overcome the ground of rejection before the disposition of rejection was “finalized.” This generally would result in the request of division or restriction of designated goods/services being made during the process of administrative remedies, which forced the TIPO to withdraw its original disposition and make other lawful disposition(s). This in turn affected the efficiency of the administration. As the Amendment has relaxed the restriction on time limit for an applicant to reply to the official notice before rejection, the applicant has enough time to decide his next step. Therefore, the time when the request for division or restriction of designated goods/services is adjusted to the time before the disposition of rejection is “made.”

- B. Adjusting the time when the request for division or restriction of designated goods/services can be made by the proprietor of a registered trademark with opposition, invalidation or revocation to the time before the disposition of opposition, invalidation or revocation is made
 - a) While the proprietor of a registered trademark with opposition or invalidation would like to avoid the ground of opposition or invalidation by dividing the registered trademark, as there are mechanisms of “alternating arguments” in the process of opposition or invalidation, the proprietor of a registered trademark shall have enough time to consider the necessity to apply for division. Also, considering the balance of rights and benefits among persons involved, and the finalization of facts and status of further disputes as soon as possible, the time when the request for division or restriction of designated goods/services can be made by the proprietor of a registered trademark with opposition or invalidation shall be limited. Even the proprietor of a registered trademark with opposition or invalidation would like to avoid the ground of opposition or invalidation by restricting the designated goods/services during the process of administrative remedies, the authorities of administrative remedies cannot process this variation. Taking into account the efficiency of procedures involved, the Amendment provides that request for division or restriction of designated goods/services can only be made before the disposition of opposition or invalidation is made.
 - b) If only parts of designated goods/services satisfy the grounds, e.g. a trademark has not been put to use or has been suspended from use for an uninterrupted period of three years on parts of designated goods/services, the grounds (of

revocation) can be avoided by dividing the registered trademark. Therefore the aforementioned time limits shall also apply to revocation cases.

- C. The aforementioned amendments do not eliminate applicants or proprietors of registered trademarks from requesting for division or restriction of designated goods/services. The amendments only provide clear time limits in order to prevent the cases from traveling back and forth and affecting administrative efficiency.
- 7) Requesting to submit supporting evidence, where an invalidation or revocation action is filed on the basis of a trademark, to show use of such trademark in three years before the filing of the action

Before the amendment, invalidation or revocation actions were often filed on the basis of trademarks that have never been used on the market. These unused trademarks were used to request to cancel registered trademarks that have been used by others on the market, sometimes with significant business scale. This was done to affect normal development and order of competition of industries and businesses. In order to prevent this irrational phenomenon and emphasize the importance of trademark use, the Amendment provides that where an invalidation or revocation action is filed on the ground that a latter applied registered trademark or a self-altered trademark or a trademark supplemented with additional notes has caused likelihood of confusion to relevant consumers, if the trademark that relied upon invalidation or revocation action has been registered for three years or more, the applicant of the action shall submit evidence showing actual use of such trademark on goods/services for three years before the filing of invalidation or revocation action, or any facts or evidence of proper reasons for non-use. This provision can prevent the proprietors of registered trademarks that have never been used from abusing their rights.

- 8) Strengthening the protection of trademark by amending the provisions on trademark infringement
- A. Stipulating situations of trademark infringement that can apply for remedy and damage claims

To strengthen the protection of rights for the proprietors of trademarks, the Amendment introduces many revisions to remedy and damage claims for

trademark infringement. The Amendment stipulates situations that can apply for remedies to preclude or prevent infringement, as well as to claim for damages. This is to clarify different interpretations on applying for remedies in the past. The infringer's subjective intent to commit the act, either intentionally or negligently, is not a prerequisite for a proprietor's exercise of trademark rights to preclude or prevent infringement. The objective fact of infringement or likelihood of infringement is sufficient to preclude or prevent infringement. However, damages claim can only be made when the infringer has a subjective intent to commit the act, either intentionally or negligently.

- B. Allowing the court to make necessary dispositions other than destruction after considering the seriousness of the infringement and the interests of third parties

With regard to infringement, the proprietor of a registered trademark may request for destruction or other necessary disposition of the infringing goods or materials or implements used for infringement. However, if there is a manner that can protect the benefits of the proprietor of a registered trademark while minimizing the harm to the rights of opposite parties and third parties at the same time, the courts shall take the manner with less harm rather than destruction so as to meet the need for proportionality. The Amendment stipulates that the court may make necessary dispositions other than destruction after considering the seriousness of the infringement and the interests of third parties. While the court may take the seriousness of the infringement and the interests of third parties other than the parties involved (e.g. an ignorant manufacturer who has been authorized by the infringer) into account, it is for certain that the court shall not permit release of the infringing goods or materials or implements which predominant use is for the creation of the infringing goods into the channels of commerce.

- C. Removing the lower bound of the damages

The amount of damages of trademark infringement, in compliance with the principle of civil law system, shall be sufficient and limited to compensate the proprietor of a registered trademark for the harm caused by the infringement. There is no such mechanism for punitive damages. Although Article 63 of the Act provided that "damages may be claimed in an amount equivalent to 500 to 1500 times of the unit retail price of the infringing goods," Paragraph 2 of the

same provision also provided that “a court may, at its discretion, reduce the amount of damages in the case where the amount assessed under the preceding paragraph is apparently unreasonable” in order to follow the aforementioned principle. However, the lower bound of the damage would still cause unreasonable consequences, such as fining over NT\$256 million for 4 counterfeit bags with an average price of NT\$512,000 each in a court decision that did not follow the meaning of the legislation.

Therefore, without deviating from the meaning of the legislation, the lower bound of “500 times of the unit retail price of the infringing goods” is removed in the Amendment. The amount of damages shall be estimated by the judge taking the facts of infringing acts in specific cases into account, rather than granting an amount equivalent to 500 times the unit retail price of the infringing goods directly without fairly considering if the degree of the infringement is slight or not. The Amendment still provides that a court may, at its discretion, reduce the amount of damages.

- 9) Acts likely to dilute the distinctiveness or reputation of a “well-known trademark” being deemed as trademark infringement, and deleting the provision on using a “registered trademark” of another person as the company name, business name or domain name being deemed as trademark infringement

Before the amendment, the proprietor of a well-known registered trademark may claim protection against dilution only by having to prove actual dilution of the distinctiveness or reputation of the trademark. However, that is unprovable theoretically. As the threshold of request for protection of a well-known registered trademark is too high, the Amendment provides that acts “likely to” dilute the distinctiveness or reputation of a well-known registered trademark shall be deemed as trademark infringement so as to prevent actual dilution of a well-known registered trademark. Also before the amendment, knowingly using the word(s) contained in a registered trademark of another person as the company name, business name or domain name or any other representation identifying the body or source of whose business, and hence causing confusion to relevant consumers of goods or services thereof, shall be deemed as trademark infringement. However, as business name and trademark are ruled by different legislation, the scope of protection provided by the aforementioned provision seems to be too broad. This resulted in some proprietors of

trademarks abusively issuing warning letters. There were also court decisions held that, as the registration of a trademark was published, the effect of the publication was sufficient to let a third party know the registered trademark existed, hence the court considered the subjective requirement of intention of a third party as being fulfilled. These interpretations deepened the abuse of the provision by the proprietors of trademarks. In order to prevent undue protection for registered trademarks and issues on the abuse of rights, this provision is deleted in the Amendment.

10) Providing comprehensive border measures of protection

Before the amendment, measures on the suspension of release of goods on the border are enforced under the “Operational Directions for Customs Authorities in Implementing Measures for Protecting the Rights and Interests of Patent, Trademark and Copyright.” Since the content of the aforementioned directions is related to civil rights and obligations and shall be provided by law, the Amendment clearly provides provisions on the ex officio actions of Customs Authorities to detain the goods suspected of trademark infringement. Moreover, the Amendment provides that without prejudice to the protection of the confidentiality of the detained goods, Customs Authorities may allow the inspection of the detained goods requested by the applicant thereof or the party whose goods are detained to be examined for infringement. The information of the suspected infringing goods may also be provided. As some goods are difficult to identify whether they are infringing goods or are not in practice, the Amendment provides that the proprietor of a trademark may request the Customs Authority, along with a security, to take samples of the suspected goods to be examined for infringement. The Amendment will assist Customs Authorities to implement their operation, as well as assist the proprietors of trademarks to take samples of the suspected goods for examination and obtain the information of related goods so as to achieve the purpose of anti-counterfeiting.

11) Strengthening the policies on protection for well-known place of origin in Taiwan

Regarding the protection for well-known place of origin, such as “Chih Shang Rice,” “Wenshan Bao-chung Tea,” etc., these terms can be protected as geographical certification marks and also as geographical collective trademarks. As the Act did not clearly provide provisions for registration application, the Amendment provides provisions related to the definition of geographical certification marks and

geographical collective trademarks, so as to strengthen the policies on protection for well-known place of origin in Taiwan, boost development of local industries, and maintain competitive advantages of regions. Furthermore, since infringing the rights of a certification mark causes more damage to society and the public than infringing the rights of a trademark, the Amendment provides provisions on criminal penalties of direct and contributory infringement of a certification mark.