FROM PIRATE KING TO JUNGLE KING:
Transformation of Taiwan’s Intellectual Property Protection*

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TABLE OF CONTENTS

I. INTRODUCTION ................................................. 3
II. TAIWAN’S REFORM PATH ................................. 5
   A. External Factor: Bilateral Interactions with the
      United States and Other States ....................... 5
   B. Internal Factors: Self-awareness, Self-image and
      Self-interests ........................................... 7
   C. International Factors: The WIPO, WTO and
      APEC .................................................. 10
III. OVERVIEW OF TAIWAN’S INTELLECTUAL
     PROPERTY PROTECTION ............................. 14
    A. Patent Law ........................................... 14
       1. Protectable subject matter ...................... 15
       2. Term of protection ................................ 15
       3. Scope of rights ................................... 16
       4. Exhaustion doctrine ............................... 17
       5. Compulsory licensing ............................. 18
       6. Presumption of infringement on a process
          patent ............................................. 20
       7. Marking and notice ................................ 20
       8. Priority of foreign patent ....................... 20

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(1)
9. Remedies/criminal penalties for patent infringers ........................................... 21
10. Disposition of infringing products ......................................................... 22
11. Pipeline protection ................................................................................. 22
12. Pending reforms ..................................................................................... 24
B. Trademark Law ....................................................................................... 25
   1. Protectable subject matter/categorization and use .................................. 26
   2. Term of protection .................................................................................. 27
   3. Well-known mark protection .................................................................. 27
   4. Exhaustion doctrine/parallel imports .................................................... 28
   5. Fair use/exceptions to exclusive rights .................................................. 29
   6. Priority of foreign trademarks ............................................................... 30
   7. Disposition of counterfeit products ...................................................... 30
C. Fair Trade Law .......................................................................................... 30
D. Copyright Law .......................................................................................... 33
   1. Acquisition of copyright ....................................................................... 34
   2. Scope of rights ....................................................................................... 35
   3. Protectable subject matter ..................................................................... 36
   4. Term of protection .................................................................................. 36
   5. Reverse engineering .............................................................................. 37
   6. Compulsory licensing ........................................................................... 37
   7. Restoration of copyright ...................................................................... 38
   8. Fair use .................................................................................................. 39
   9. First sale doctrine/exhaustion ............................................................... 40
  10. Export licensing/inspection system ........................................................ 42
  11. Remedies ............................................................................................... 43
E. Trade Secrets Law ..................................................................................... 45
F. Integrated Circuit Layout Protection Law ............................................... 47
G. Plant Seeding Law .................................................................................... 51
H. Industrial Design Protection ..................................................................... 52
I. Geographic Indication ............................................................................... 53
J. Pending Reforms under the 1996 Action Plan .......................................... 53
   1. Committing regional enforcement ....................................................... 55
   2. Preventing CD piracy — SID and self-regulation .................................. 57
   3. Enhancing general enforcement ........................................................... 58
   4. Streamlining and expediting the EMS ............................................... 60
IV. FUTURE CHALLENGES FOR TAIWAN .................................................. 64
   A. Organizational Integration and Coordination ....................................... 65
   B. Court Proceedings ................................................................................. 68
   C. International Interactions ..................................................................... 72
I. INTRODUCTION

Throughout the 1980s and 1990s, the Republic of China (hereinafter Taiwan) has been notoriously dubbed by many, particularly U.S. industry, as the “pirate kingdom” of the world.\(^1\) Based on one estimate, the U.S. copyright industry alone suffered US$669 million loss from Taiwan’s piracy and counterfeiting activities in 1992.\(^2\) Ever since the enactment of the “Special 301” provision under the U.S. trade law, Taiwan has been a “regular” on the law’s hit list. This means Taiwan was either identified as a “priority foreign country”, i.e., a U.S. trade partner which “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 U.S. persons that rely upon intellectual property protection” or being placed on the “Priority Watch” list pending further investigations and consultations.\(^3\) It was

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1. See United States Trade Representative (hereinafter 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 (hereinafter SPECIAL 301 RECOMMENDATIONS). See USTR, *1993 National Trade Estimate Report on Foreign Trade Barriers* (hereinafter NTE REPORT), at 251 (1993).

3. See Section 182 of the Trade Act of 1974, an addition to the 1974 Act by Section 1303 of the Omnibus Trade and Competitiveness Act of 1988, Pub. L. No. 100-418, apprv’d. Oct. 3, 1988, 102 Stat. 1107, 19 U.S.C. §2242 (1997). 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 IP 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 cat-
not until November 1996 that Taiwan was completely removed from the list.4

A careful examination of Taiwan’s experience in dealing with IP protection reveals a remarkable path for its peaceful transformation. In less than twenty years, Taiwan has changed from being the reigning king of global piracy and counterfeiting activities to one whose government officials and businessmen now travel the world advocating better IP protection, and do so completely without the coverage of any international convention. This path, however, is anything but a straight line; rather, it is filled with zigzags, often involving struggles among different interest groups and sometimes even violent protests, all in the name of preserving Chinese cultural values and Taiwan’s national economic interests. But as the dust settles, the counterfeiters are now clearly on the run, and Taiwan’s industry has been enjoying a tremendous boom. Taiwan now looks like a shining-knight waving the banner of international IP protection, yet it remains a pariah within the international IP community. So how did Taiwan succeed in its IP reforms and what is their substance? What issues are still outstanding and unresolved and most pressing issues? What are the challenges ahead? What can other countries learn from Taiwan’s experiences? This article attempts to address these questions, including a survey and an analysis of the latest amendment to Taiwan’s IP laws.

4. 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 Paul C. B. Liu and Andy Y. Sun, ed., Intellectual Property Protection in the Asian-Pacific Region: A Comparative Study, Occasional Papers/Reprint Series in Contemporary Asian Studies, University of Maryland School of Law, No. 4 — 1996 (135), at 153-183; see also Paul C. B. Liu, U.S. Industry’s Influence on Intellectual Property Negotiations and Special 301 Actions, 13 UCLA Pac. Basin L. J. 87, at 113-114 (1994); and, IIPA, Special 301 Recommendations (Feb. 24, 1997).
II. TAIWAN’S REFORM PATH

A. External Factor: 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.5 This also reflected on Taiwan’s inability to seek IP protection under any international convention. As a result, Taiwan has no choice but to rely exclusively on bilateral arrangements to gain international benefits. In this regard, the United States is no doubt the single most influential player in shaping Taiwan’s IP policy and reform.

The U.S. concerns over IP protection in China date back to the turn of this century, when the Ch’ing Dynasty was in power.6 After World War II, the United States and China entered into a Friendship, Commerce and Navigation (FCN) Treaty when the Nationalist government (Republic of China) still controlled both the Mainland and Taiwan.7 When the United States government switched its dip-

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5. As of the end of 1996, only 30 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 PRC as the sole legitimate occupant of the seat that represents China. See U.N. General Assembly Res. 2758 (XXVI), U.N. GAOR, 26th Sess., at 358, U.N. Doc. A/L. 630 and Add. 1 and 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 DEPT. OF STATE BULLETIN, No. 2,022 (Jan. 1979), at 25; Maintaining Unofficial Relations with the People on Taiwan, 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 U.S. government in Taiwan is the American Institute in Taiwan (AIT) and Taiwan’s “unofficial” representation in the U.S. is the Taipei Economic and Cultural Representative Office (TECRO, formerly 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.

6. See Article XXI, Supplementary Treaty of Commerce and Navigation, Oct. 8, 1903, U.S.-China (Ch’ing or Manchu Dynasty), reprinted in 2 TREATIES, CONVENTIONS, ETC. BETWEEN CHINA AND FOREIGN STATES, at 621 (2nd ed. 1917). This provision specified a ten-year term for copyright 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.

7. See Article IX, Treaty of Friendship, Commerce and Navigation, Nov. 4, 1946, U.S.-Republic of China (Taiwan), T.I.A.S. No. 1871, 63 Stat. 1299 (1949). This article
diplomatic recognition from Taiwan to the government of the People's Republic of China (PRC) in 1979, Congress enacted the Taiwan Relations Act to ensure that all previous treaties and agreements between the United States and Taiwan remained effective unless and until legally terminated. Both sides subsequently and eventually entered into five administrative agreements on IP issues, and each of those agreements impacted directly on Taiwan's domestic legislation and resulted in significant reform on Taiwan's IP protection.

Export growth is the key generator of Taiwan's economic growth. The United States is influential in Taiwan's IP reform because Taiwan has been enjoying a significant trade surplus with the United States for years. In fact, until recently, the United States has consistently been Taiwan's largest export market. Although this situation changed when Taiwan shifted its export market focus to Mainland China and elsewhere, its economy still depends heavily on the health of the American economy. This specifically calls for adequate and effective protection of patents, trademarks, trade names, and other literary, artistic and industrial property (such as copyrights).


11. 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 program ended, Taiwan received a total of US$1.55 billion in assistance. See The China Times Editorial, Sept. 26, 1986, at 2 (Chinese edition).

12. According to U.S. 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 U.S. unilateral trade sanctions should there be a dispute. See USTR, NTB REPORT, 1992-96, supra note 2.
gives the USTR much needed ammunition and strong leverage in its bilateral trade negotiations with Taiwan.

The United States is not alone, however. Experience shows that Japan, the European Union (formerly the European Common Market) and other countries will normally first wait until results have been reached in Sino-American negotiations, then they will quickly jump in and demand the same, making Taiwan’s full-scale, global concession almost inevitable, at least as far as trade and IP protection are concerned.13

For most people in Taiwan, the psychological fear of unilateral trade retaliation is very real. A serious, direct blow to its domestic economy may be forthcoming and yet virtually no defense or counter-measure is available, particularly in light of the “Special 301” sanctions from the United States, which exposes Taiwan’s vulnerable economic infrastructure and frustrates the local public. The positive side 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 to reform the IP laws under a rigid timeframe set by the American trade negotiators.14 The negative side, though, is a growing frustration of the public toward their government and the anti-American sentiment that certainly will not help both sides in resolving their outstanding trade issues or disputes.

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

As a newly industrialized country, it is not surprising that Taiwan was initially resistant to the idea of providing more IP protection, thinking this would only open the floodgates and result in foreign products saturating its domestic market. Many people even argued, pointing to the American and Japanese histories, that piracy and counterfeiting (which may not be clearly distinguishable from imitation) is an inevitable justification and is necessary to give

a less developed country the time, tools and competitive edge to foster its own industry.\textsuperscript{15}

However, the truth is that commercial piracy and counterfeiting have 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 on Taiwan has been handling the situation. Most complaints focus on the inadequacies of the existing law in IP protection, the denial of juridical status to foreign corporations and the general lack of enforcement of the existing law.\textsuperscript{16} It did not take long before the political and business leadership in Taiwan realized that something must be done quickly to change this negative image and that reform might actually benefit Taiwan's indigenous industry more than simply granting favorable treatment to foreign goods and demands.\textsuperscript{17} This realization may also be due in part to Taiwan's need for foreign investment and a strengthened domestic industrial

\textsuperscript{15} See Board of Foreign Trade (BOFT), Ministry of Economic Affairs (MOEA), Intellectual Property Rights Protection: A Republic of China Prospective (1983). 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. . . ." This attitude quickly changed toward support for an effective legal protection of IP in the following years, however. See BOFT, MOEA, R.O.C. Efforts and Accomplishments in the Protection of Intellectual Properties (1985); see also Edward S. Yambrusic, Trade-Based Approaches to the Protection of Intellectual Property, at 13-14 (1992); William P. Alford, To Steal a Book Is an Elegant Offense: Intellectual Property Law in Chinese Civilization, at 46 (1995); and, Paul Goldstein, Copyright's Highway, at 182 (1994) for detailed illustration.


\textsuperscript{17} 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, March 13, 1984, at 3 (in Chinese). Mr. Siew was then Director General of the BOFT, 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).
base, especially those in the high-technology area, which bolstered its self-confidence in competing fairly in the global market.\textsuperscript{18}

Following along with the growth of Taiwan’s domestic high-tech industry is a more institutionalized and cohesive effort on IP awareness, education, exchange and lobbying.\textsuperscript{19} On the lobbying front, the industry groups were able to forge a well-organized \textit{ad hoc} alliance in 1993 and effectively persuaded the legislators to repeal a provision in Patent Law that imposes prison terms on unauthorized manufacturing of invention patents. This happened despite the Taiwan Executive Yuan’s strong objections and the United States’ hard push for an even more severe criminal penalty on willful patent infringers.\textsuperscript{20} Similar scenarios played out in the major revisions of the Copyright Law and the passage of the Cable Television Law. Here the U.S. pressure (under the “Special 301” mandate) apparently backfired. With a growing distaste among members of the Legislative Yuan (the Parliament) toward the perceived “American arrogance,” Taiwan’s industry effectively lobbied for the passage of several provisions the USTR particularly dis-liked, such as an ambiguous disposition of parallel imports and a 20% ceiling on foreign shares or holdings in a cable television company.\textsuperscript{21}

This shows that the United States may be able to push Taiwan (or any other country) for legislative reform, but it is local self-interest that eventually will prevail on details once the process of substantive statutory revision begins. “Special 301” pressure is effective only to the extent that parties are engaged in serious negotiations to resolve their IP 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

\textsuperscript{18} See Siew, \textit{id}. In this 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.

\textsuperscript{19} Examples include the Asia-Pacific Intellectual Property Association (APIPA), National Federation of Industries (IP 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 (III).


\textsuperscript{21} See, e.g., Legislative Yuan, 82 \textit{Official Gazette}, issue 48-1, at 104-200 (July 21, 1993).
democratic system where many liberal-minded and nationalist legislators are confronting one another. Consequently, both sides will have to work together at the political and technical levels, to address each other's concerns and to explore a win-win solution.

C. International Factors: The WIPO, WTO and APEC

Taiwan's lack of international political standing precludes its participation in all multilateral international conventions for IP protection thus far. They include the Paris Convention for the Protection of Industrial Property (Paris Convention)\textsuperscript{23} the Berne Convention for the Protection of Literary and Artistic Works (Berne Convention),\textsuperscript{24} and all other international treaties and conventions administered by the World Intellectual Property Organization (WIPO), an organ of the United Nations.\textsuperscript{25} WIPO membership is open only to existing members of the Paris/Berne Conventions and the UN, and Taiwan belongs to none of the above categories.\textsuperscript{26}

Initially Taiwan did not seem to consider its lack of participation in the international IP community as a loss or inconvenience. On the contrary, it had at one point tried to use this fact as a way to deflect the U.S. demand that its domestic law be revised to conform with certain international standards. However, as soon as its exporting goods hit the world market, the urgent sense of inadequate and

\textsuperscript{22} See Robert E. Hudec, Thinking about the New Section 301: Beyond Good and Evil, in Chapter Four in Jagdish Bhagwati and Hugh T. Patrick, ed., Aggressive Unilateralism: America's 301 Trade Policy and the World Trading System, at 113-159 (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.


insufficient international protection kicked in, and this has become a major concern to the Taiwan government. For example, no Taiwan citizen may take advantage of the Patent Cooperation Treaty (PCT) even if he/she may have residence in or tries to file his/her first patent in a PCT Contracting State. This means that the Taiwan patentee's only resort is to file separate patents in every country where he/she intends to receive protection. This, no doubt, significantly increases the fees to pay, administrative proceedings to follow and the danger of missing filing deadlines, hence the loss of priority and/or even the patent itself. With a bilateral arrangement, Taiwan citizens may still not be able to enjoy full and universal national treatment in terms of seeking just remedies and judicial due process after all.

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 situation and isolation somewhat. WTO membership is not contingent upon being a UN member and the possibility of access based not on an independent sovereignty but as a "separate customs territory" may provide flexibility and a much needed alternative for Taiwan to re-enter the global economic and financial community.

27. See Article 9, Patent Cooperation Treaty of June 19, 1970, as amended on Oct. 2, 1979 and modified on Feb. 3, 1984. PCT filing is still not possible even if a Taiwan citizen should join other applicant(s) whose nationality is under a member state of WIPO. See Rules 2.1, 4.5-4.7, Regulations under the Patent Cooperation Treaty, as in force from January 1, 1996.

28. A case in point is a Taipei District Court decision on January 28, 1983, denying the Apple Computer Company's standing to sue, on the grounds that the plaintiff had not been recognized and admitted to do business in Taiwan. This decision immediately created tensions between the United States and Taiwan and many discussions on the merits of the ruling. Eventually, based on the bilateral 1946 Sino-U.S. FCN Treaty, the Taiwan High Court reversed and remanded this decision and Apple Computer prevailed on remand. 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. But this provision still leaves the possibility that the door to Taiwan's court may still 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.

29. See Article XII, Agreement Establishing the World Trade Organization, as a part of the Final Act Embodying the Results of the Uruguay Round of Multilateral Trade Negotiations (Marrakesh, April 15, 1994)(hereinafter Final Act), at 9, 16. This is an identical provision to its predecessor, Article XXXIII of the General Agreement on Tariffs and Trade (GATT) of January 1, 1948, as amended.
particular, the Agreement on Trade Related Aspects of Intellectual Property Rights, Including Trade in Counterfeit Goods (also known as the TRIPS Agreement, a component of the WTO rules that applies, mutatis mutandis, many provisions of the Paris/Berne Conventions) 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, 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.

An outcast of the international community for almost three decades, Taiwan is pursuing whatever it can to gain recognition again (not necessarily political) and has clearly put its accession to the WTO (along with the joining of other international organization) at the forefront of its national policy. It seems that Taiwan is calculating that more international visibility means more leverage in dealing with the PRC. Whether this turns out to be true remains to be seen. Yet the irony is that, instead of being pushed by any foreign state, Taiwan is now actively and automatically amending its IP system as proof to 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, at least in the IP area. Established in 1989 as an informal forum for open dialogue, APEC has since developed into a major regional organization. Its 18 current “economies” (and soon to be 21) constitute more than half of

31. Note that the Republic of China (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, BNA, Int’l Trade Daily, March 3, 1997, at D5.
the global trade volume. Politically and socio-economically heterogeneous, APEC has adopted the principles of consensus rule, "open regionalism" (as opposed to "closed regionalism" such as EU or North American Free Trade Agreement), international cooperation, free trade and investment, and pragmatism. Its chairmanship rotates among the members annually. In 1993, with the United States as the chair, the organization took a significant step forward to conduct its first Leaders Meeting in Seattle, Washington. This has since become a tradition for the APEC get-together at the highest level.

Within its loose structure, there is an IP Group that consists of, but is not limited to, all 18 commissioners and conducts an annual symposium for the exchange of ideas. The National Bureau of Standards (NBS, Taiwan's patent and trademark office and a subagency of the Ministry of Economic Affairs, MOEA)) hosted the second IP symposium in July 1997. One of the main topics for discussion was whether there should be an institutionalized region-wide patent and trademark or even copyright services. Although viewed by many within the region as merely a forum for dialogue, APEC has in recent history demonstrated its ability to weld incredible influence on global affairs. For instance, the Uruguay Round negotiations would not have been successfully concluded in late 1993 but for APEC leaders' commitment to push it forward just a few weeks before. APEC once again demonstrated its impact last year in 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 were stalled for years and

32. 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. Meant to be an informal regional forum, it 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, 6 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, Kuang-sheng Liao, ed., Politics of Economic Cooperation in the Asia Pacific Region, at 7-11 (1993).
seemed to be going nowhere under the WTO platform. With the APEC’s agreement to phase out all existing tariffs on telecommunication equipment by 2000, the WTO adopted the same measure in its first Minister’s Meeting in Singapore within a month. In the IP area, however, it is yet to be seen how the APEC influence might translate into a framework for better cooperation among the member economies.

III. OVERVIEW OF TAIWAN’S INTELLECTUAL PROPERTY PROTECTION

Taiwan’s statutory regime for IP protection is now by and large in conformity with the TRIPS Agreement. In some areas it has even gone beyond the Agreement’s threshold. It should be noted that Taiwan is a civil law jurisdiction, which means statutes and administrative rulings take precedent over court decisions, although the latter’s influence is clearly on the increase in recent years.

A. Patent Law

The first Patent Law of the Republic of China (Taiwan) 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. The law categorizes patents into three types: invention, design and utility model. Highlights of the current effective version (the 1994 Patent Amendment) and the 1997 Patent Law Amendment (hereinafter 1997 Patent Amendment, pending to be

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33. E.g., general restrictions on parallel imports of copyrighted materials, see III. D. infra for detailed illustration.

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

35. See Patent Law Amendment of April 15, 1997. Note, however, the Amendment’s effective date is subject to the Executive Yuan’s determination. It is 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.
Transformation of Taiwan’s IP Protection

Effective as soon as Taiwan’s accession to the WTO is realized) include, *inter alia*, —

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 obviously is to take advantage of the allowable transition period under the TRIPS Agreement and to fulfill Taiwan’s willingness to be treated as a *developed* member state (which enjoys only a one-year transition).\(^{36}\) 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).\(^{37}\)

2. Term of protection:

The law clearly adopts the first-to-file system. The term is now 20 years from the filing date for an invention patent (Article 50), 10 years for a design patent (Article 109), and 12 years for a utility model (Article 100)(or petite patent, as sometimes referred to in other countries), with the patent right actually afforded from the date of publication. For pharmaceuticals or 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 (Article 51).\(^{38}\)

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 pat-

\(^{36}\) Article 21, Patent Law (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. With regard to allowable transition period, see Article 65, TRIPS Agreement, *supra* note 30.

\(^{37}\) See Article 139, the 1997 Patent Law Amendment.

\(^{38}\) This provision is very similar to the U.S. law. See 35 U.S.C.\$154(b)(2) (1997).
ent is not granted due to filing error, inadmissibility, or opposition (Articles 50, 100, 109). 39

The 1997 Patent Amendment repeals the restrictions on the extension of pharmaceutical- or agricultural-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 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. 40 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 (Articles 56, 103, 117). 41 The 1997 Patent Amendment also adds this exclusive right to design patents and utility models (Articles 103, 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/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 (Articles 57(5), 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/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]."

39. Conceptually this is different from the U.S. provisional application, which is primarily for the purpose of establishing a priority date. See 35 U.S.C.§111(b) (1997).

40. See Article 26(3), TRIPS Agreement, supra note 30. 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" [emphasis added].

41. See Article 28, TRIPS Agreement, id. Note that the right to preclude unauthorized "offering for sale" is still not afforded under the current law.
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 IP owner or his/her licensee. With regard to patents, once the 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. 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 the other 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 essentially leaves this area open to each nation’s own discretion. Yet the controversies by no means end there. This has in fact become one of the most contested areas in the U.S.-Taiwan bilateral negotiations on IP protection. Obviously the United States insisted that Taiwan should adopt the doctrine of territoriality. On the other hand, many in Taiwan feel that an international exhaustion rule should be the norm, thinking this could help reduce the price of the patented goods and benefit its 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) where, after a patented article made by the patentee or made with his/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


43. Id.

44. See Article 6, TRIPS Agreement, supra note 30. See also Harold C. Wegner, GRUR Vortragstagung, 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” (text in English, on file with The George Washington University Law School) for a detailed and comprehensive analysis.
6 of this Article shall be determined by the court according to the facts involved.  

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.  

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 act deemed to have constituted unfair competition by the court or the Fair Trade Commission (hereinafter FTC) (Article 78).  

45. See also Article 118(3) for identical provisions for design patent.  
46. 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 with the filing of a complaint by the parties concerned, after its investigation, 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 III. C. infra for detailed analysis. In addition, the enterprise may be subject to an equivalent amount of fine (Article 36). See Ministry of Justice (MOJ) 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, at 71-74 (Dec. 31, 1992). Another development that may affect the court in Taiwan is the recent Japanese Supreme Court decision on BBS Kraftfahrzeug Technik v. Jap Auto Products Kabushiki Kaisha & Anor., Case No. Heisei 7 (wo) 1988 (July 1, 1997); affirming the decision of Tokyo High Court, AG No. 3272 of 1994 (March 23, 1995) (also known as the Aluminum Wheel case), which adopts the “implied license” theory and permits patent parallel imports in general unless expressly prohibited in a licensing agreement or written contract.  
47. See Article 31, TRIPS Agreement, supra note 30.
The 1997 Patent Amendment further limits the grounds on which compulsory licensing of semiconductor technology may be granted: (a) the licensing is to be used for non-profit purposes or to be used to promote public welfare; or, (b) the patentee has already committed unfair competition as determined by the court or the FTC.\textsuperscript{48} This Amendment also permits the patent authority to revoke a compulsory license on the same prescribed legal ground where the license was first issued (Article 79).

Under the 1994 Patent Amendment, the owner of a dominated (second) patent (a reinvention or manufacturing process patent) may not put his/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(l) of the TRIPS Agreement. The revision allows a dominated (second) patent owner to apply for a compulsory licensing 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...” 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 these provisions are essentially in line with the TRIPS Agreement, and despite the Taiwan government’s repeated reassurance that they are to be placed on “reserve” status, so that they will not be applied except in absolutely extraordinary circumstances, their very existence still cast quite a few doubts from both local and American industry, and is likely to remain a thorny spot for future U.S.-Taiwan trade relations.\textsuperscript{49}

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\textsuperscript{48} Cf. Article 31(c), Id. Thus the “reasonable commercial use” exception does not apply to semiconductor.
\textsuperscript{49} 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 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 is that the two should not be linked 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 \textit{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 (hereinafter Compiled Reference Materials)}, May 5, 1993.
\end{flushright}
6. Presumption of infringement on a process patent:

The 1994 Patent Amendment provides that whenever a product was not in existence in 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 (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/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.\(^5\)

7. Marking and notice:

Article 82 of the 1994 Patent Amendment provides that a patentee may not claim damages for infringement in the event he/she or his/her licensee(s) 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. Evidently, whether an infringer knew or had reasons to know of his infringing activity is not completely contingent on proper marking of the patented articles.\(^5\)
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 reasons to know, of the existence of the patent.

8. Priority of foreign patent:

Even though Taiwan is on the verge of becoming a Contracting Party to the WTO, as pointed out earlier, it will need to rely exclusively on the principle of reciprocity to arrange the international

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50. Cf. Article 34, TRIPS Agreement, supra note 30.
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. The 1997 Patent Amendment 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 (Articles 123, 124). It did, somewhat oddly, leave the prison terms for design and utility model infringers

52. E.g., The 1996 IPR MOU, supra note 9. This agreement creates reciprocal rights in Taiwan for certain U.S. patent and trademark right holders. It also allows U.S. patentees to obtain a five-year extension for pharmaceutical and agrochemical-related patents. An extended protection term is also available to U.S. 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 38). Note, however, that this reciprocal arrangement does not apply retroactively, nor does it address the protection of: (i) U.S. applicants who first filed a provisional application in the United States; (ii) U.S. applicants who first filed their basic applications in a country other than the United States; (iii) U.S. 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, at 25 (June 1996). This is Taiwan's first such bilateral arrangement with a foreign state on trademarks and the fifth on patents, following Germany, Australia, Japan and Switzerland.

53. 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 U.S.-New Taiwan Dollar conversion is based on the exchange rate of US$1.00 = NT$30.00. Since the Asian financial crisis
intact, making the maximum possible penalty two-year imprisonment plus a fine of NT$150,000 (approximately US$5,000) under those circumstances (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 U.S. 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. They questioned the culpability of patent infringement and contrasted it to that of piracy in trademark and copyright. They then pointed to the U.S. law, which does not provide criminal sanctions at all under the circumstances, and questioned U.S. 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/her side, a patent holder often will coerce enterprises into paying royalty, or will 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. 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 (e.g., 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 U.S.-Taiwan IP negotiations (as between the United States and other countries) was the U.S. demand for retroactive protection of pharmaceutical products

began in mid-1997, followed by a global stock market crash on October 27, Taiwan’s currency has experienced more than 20% devaluation against the dollar.

54. See supra note 49, 2 Compiled Reference Materials, at 139-143.
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”). This was because Taiwan did not consider pharmaceutical products patentable subject matters before its 1986 patent law revision and the U.S. 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.

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. 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. After several rounds of further negotiations, 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 U.S.

55. See USTR, 1994 NTE REPORT, supra note 2, at 257. Note that June 5, 1992 is the signing date of the U.S.-Taiwan (AIT-CNCNA) bilateral agreement on IP protection.

56. See Special 301 and the Fight against Trade Piracy, Hearing before the Subcomm. on International Trade of the Comm. on Finance, U.S. Senate, 103rd Cong., 1st Sess., at 48 (April 19, 1993)(Testimony of Harvey E. Bale, Jr., then Senior Vice President International of the Pharmaceutical Manufacturers Association (now renamed as the Pharmaceutical Researchers and Manufacturers Association of America, or PhARMA).

57. 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 U.S. 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 Articles 65.1, 65.4, 66.1, and 70.8, TRIPS Agreement, supra note 30.

58. See supra note 9. Note that both sides also agreed to begin their consultation process on this issue no later than August 31, 1992.
medicine.\textsuperscript{59} Neither Taiwan's Patent Law 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.\textsuperscript{60} Therefore, this issue is likely to reemerge later on should U.S. 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 day. For instance, a Legislative Yuan Append Resolution specifically called for the adoption of an "early publication system" in two years, \textit{i.e.}, pending patent applications must be published in 18 months.\textsuperscript{61} Another bill dealt with the issue of "prior user rights"

\textsuperscript{59} 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 (10 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. \textit{See} Articles 45 and 47, Pharmacy Law of Taiwan (1993); Paul C. B. Liu, Andy Y. Sun, \textit{et al.}, \textsc{Intellectual Property Legislation and International Negotiations: U.S. Industry and Government Roles and Interactions} (text in Chinese), at 160-164 (1993) for detailed illustration of the U.S.-Taiwan IP negotiations since 1989; \textit{see also} note 55, \textit{supra}.

\textsuperscript{60} \textit{See} Executive Yuan Memorandum, \textit{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 U.S.-Taiwan agreement on IP protection and how it might affect the pending patent law revisions.

\textsuperscript{61} 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
but was not even discussed, perhaps in light of the controversies it could have generated and the low priority it was given.

As indicated earlier in this article, the primary stimulation for Taiwan's recent patent reform was because of U.S. "Special 301" pressure. Then a more or less self-generated urge to use patent reform as leverage for Taiwan's accession to the WTO took 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 (hereinafter Omnibus Bill), which pertains to amend 20 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.

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 of these changes 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. It does not appear that 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 (including a bill to create a new IP Bureau) 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. The 1997 Trademark Amendment, like the patent amendment, serves to further bring forth Taiwan's trade-
mark 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). Highlights of the current Trademark Law include, but not limited to —

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 (Article 5). Note that "color" is not stipulated in the provision. Article 5 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..." 64

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 (Article 22). In addition, the Trademark Law makes a distinction among service, certification and collective marks (Articles 72-74). 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 associate mark has not

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64. See Article 15, TRIPS Agreement, supra note 30.
been in use within three years prior to the filing of renewal application, the application will be denied (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 (Articles 24, 25).\(^{65}\) 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.\(^{66}\) 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.\(^{67}\) 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) (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, without the latter's consent to the portrait or name appearing on the mark, will not be registered (Arti-

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65. See Article 18, TRIPS Agreement, supra note 30. Here the agreement stipulated a term of at least seven years.

66. "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.

67. This is based on the so called "plagiarism statute" (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 III. C., infra.
Article 37(11)). 68 This still falls short of the TRIPS requirement. 69

The 1997 Trademark Amendment seeks to redress this issue. Article 61 provides 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. 70

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. 71 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 himself or herself. The Judicial Branch has evidently taken a similar approach. For example, a Taiwan High Court’s resolution suggested 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

68. See Article 32, Trademark Law Implementing Regulation.

69. See Article 16.2, TRIPS Agreement, supra note 30. “In determining whether a trademark is well-known, account shall be taken of the knowledge of the trademark in the relevant sector of the public, including knowledge in that Member obtained as a result of the promotion of the trademark.”

70. An 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 NBS, PRESS RELEASE ON WELL-KNOWN MARKS GUIDELINES (August 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); and, Article 20, Fair Trade Law. For more discussions, see III. C., infra.

71. See supra note 46.
bear the same mark.\textsuperscript{72} 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/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."\textsuperscript{73}

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 (e.g., the import product is not manufactured by a subsidiary), or unfair methods of competition are involved, parallel import is prohibited.\textsuperscript{74}

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: "Any 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"[emphasis added]. Despite the definition offered in the implementation rule, questions remain, however, as to what exactly

\textsuperscript{72} 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.

\textsuperscript{73} See Taiwan Meiiji (Ming-chih) Co., Inc. v. San-pang Trading Co., (81) Tai Shang Tzu Ti No. 2444 (Civil Judgment of the Supreme Court, Oct. 22, 1992); see also People v. Lin Cheng-yun, (79) Shang Ken I Tzu Ti No. 539 (Criminal Judgment of the Taiwan High Court, March 19, 1991) on the court's rationale on how to establish a "criminal intent" before a parallel importer may be punished. For full text translation, see 11 CHINESE YEARBOOK, supra note 13, at 321-330 (1991-92).

\textsuperscript{74} This rule is very similar to that of the U.S., see Wegner, supra note 44.
constitutes "ordinary use." The 1997 Trademark Amendment intends to further clarify this by defining "ordinary use" as "use with good faith, reasonable methods and not as a trademark." 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 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 (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 over-

75. See Article 18, Trademark Law Implementing Regulation, where "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." 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 also Article 17, TRIPS Agreement, supra note 30.
lapping area of IP and antitrust or unfair competition. With the exercise of IP 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.76

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 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.77 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.78

Article 20 states, inter alia, 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. This includes 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

77. See supra note 47.
78. See Articles 23-24, Fair Trade Law Implementing Regulation.
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.\footnote{79}

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 IPR is infringed upon. In \textit{The Brain Twisters} case, the defendant was alleged to have involved in “passing off” plaintiff’s popular comic book series, “The Brain Twisters.”\footnote{80} In an attempt to exploit 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 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 further clarify the meaning of “ordinary usage.” 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. 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 considera-

\footnote{79. See Article 35, Fair Trade Law. See also Restatement of Unfair Competition § 4 (1995).}
\footnote{80. (81) \textit{Kung Chu Tzu Ti} No. 007 (July 31, 1992). The term “passing off” used here refers to product substitution so as to cause consumer confusion, \textit{i.e.}, the substitution of one brand of goods when another brand is ordered. See supra note 42, at 309-310.}
tion such factors as the degree of promotion, timing of market penetration, sales condition, scale of business or distribution, market share and consumers' impression. If distinctiveness is not found then the FTC will look into the issue of likelihood of confusion, with "ordinary usage" being a complete defense against the charge.\footnote{See FTC Memorandum, Clarification No. 080: On Fair Trade Law Article 20, (83) Kung Fa Tzu Ti No. 63981 (August 17, 1994). See also Principle in Disposing Cases under Article 20 of the Fair Trade Law, July 6, 1994 (resolved by the 143rd Commission Conference) on the guidelines or clarification of the term "commonly known". Contrasting to the Brain Twister case, in Ma-Ma-Bao-Bao Za Zhi v. Bao-Bao Yue 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. Held: "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.}
with the amendment in 1992 being the most sweeping and its process being the most controversial thus far.\textsuperscript{82} On March 31, 1992, the USTR released its annual NTE Report that lashed out against Taiwan's inadequate IP protection.\textsuperscript{83} Sensing that the worst may be forthcoming and as an attempt to diffuse the situation, Taiwan proposed an Action Plan on April 15, specifying in it various concrete measures and specific timeframe to strengthen its IP protection. Evidently this did not stop the USTR from identifying Taiwan as a "priority foreign country" under "Special 301" on April 29.\textsuperscript{84} With the threat of trade sanctions looming, the Legislative Yuan hastily enacted a new Copyright Law and subsequently gave its consent for the signing of a bilateral agreement between Taiwan and the United States.\textsuperscript{85} Highlights of this law and its subsequent amendments include —

1. Acquisition of copyright:

Now a Taiwan national may acquire copyright upon the completion of his/her work (Article 13). Registration is no longer a prerequisite.\textsuperscript{86} For a foreign national to acquire copyright in Taiwan, unless a treaty or agreement provided otherwise, it will need to be under one of the following circumstances: (i) when a work is first

\textsuperscript{82} The first codified copyright law in China is the 1910 \textit{Ta Ch'ing Chù 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. \textit{See Zheng Chengsi, Intellectual Property Law}, at 143 (1991, Chinese).

\textsuperscript{83} \textit{See USTR, 1992 NTE Report, supra note 2}, at 234-236.


\textsuperscript{85} The 1992 IPR Understanding, \textit{supra} note 9.

\textsuperscript{86} \textit{See Article 5(2), Berne Convention, supra note 24} (no formality rule), and Article 9.1, TRIPS Agreement, \textit{supra} note 30 (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/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) \textit{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 (e.g., under Article 88, recovery of statutory damages and attorney's fees are some of the available options with or without registration). \textit{Cf.} 17 U.S.C. §§ 205(c), 408-412 (1997).
published in Taiwan or when a work is first published outside of Taiwan but then published in Taiwan within 30 days, provided that the work of a Taiwan national is entitled to the same protection under the same situation in the home state of that foreign national; or, (ii) when, in accordance with a treaty, agreement, law, or customary practice in a foreign national's home state, works produced by a Taiwan national are allowed copyright protection in that country (Article 4).

As to U.S. nationals, because of the series of bilateral treaties and agreements, they are entitled to full copyright protection in Taiwan upon completion of their work. The 1993 U.S.-Taiwan Agreement on Copyright further sought to clarify and enhance protection for copyrights originating from both countries. 87 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. 88 The current practice of the Copyright Commission is that only natural and legal persons of the U.S., Hong Kong (before and after the Chinese take-over), the United Kingdom (including its colonies), and Spain as well as South Korean residents in Taiwan may enjoy copyright protection under general conditions prescribed in the Copyright Law. 89

2. Scope of rights:

The Copyright Law divides copyrights into economic rights and moral rights. With regard to the latter, the law recognizes the right of paternity (or attribution)(Article 16), the right of integrity (Article 17) and the right of public release (Article 15). Moral rights are perpetual and are not subject to alienation or inheritance (Articles 18, 21). 90 With regard to economic rights, the author has the right of reproduction (Article 22), public recitation (Article 23), public broadcasting (Article 24), public presenting (of his/her audiovisual work)(Article 25), public performance (Article 26), public exhibition (Article 27), adaptation (Article 28) and leasing (or rental right)(Article 29), but rental right is not available to the

87. The 1993 Copyright Agreement, supra note 9.
88. For a detailed illustration, see C. V. Chen and Daisy Y. Wang, Copyright Protection in the Republic of China (Taiwan), contained in PRACTICING LAW INSTITUTE, GLOBAL TRADEMARKS AND COPYRIGHT, at 382-384 (1994).
89. Id. See also Taiwan Moves to Broaden Copyright Protection, 6 J. PROPRIETARY RTS. No. 10, at 27 (1994).
90. See also Article 6 of Berne Convention, supra note 24.
owner for duplication of computer software or sound recording (Article 60). A copyright may be freely alienable in whole or in part to others; it can also be jointly owned (Articles 36 and 40). Note, however, the assignment or transfer of copyrights or the restriction thereof will not have locus standi against a third party unless it is duly registered before the Copyright Commission (Article 75).

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

3. Protectable subject matter:

The Copyright Law spells out uncopyrightable subject matters, such as the [text of the] Constitution, laws, regulations, and the governmental translation or compilation thereof (thus private translation of a certain statute is copyrightable); slogans, commonly used symbols, terms, formula, 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 (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.

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 50 years after his/her death. In case the right belongs to a legal entity, the term will be 50 years since the first publi-

91. See Article 11, TRIPS Agreement, supra note 30. Note that prior to 1993, the rights to translation and public broadcasting were excluded from copyright protection in Taiwan.

92. This provision is clearly a violation of Article 5(2) of the Berne Convention, 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.

93. See Article 9.2, TRIPS Agreement, supra note 30; see also Article 5, Copyright Law for a detailed illustration of what constitutes a protectable subject matter.
cation of the work or the completion of the work if it had not been publicly released in the first 10 years since its completion (Articles 30-33). The expiration of the term is always the end of that calendar year (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 (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 (Article 35, Paragraph 3).94 The term of protection for photographic, audiovisual, sound recording and computer programming works is 50 years after the publication of the work or after the completion of the work if such work was not publicly released for 10 years (Article 34).95

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 is not 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 achieving the intended object of the work." This may be an exception, however, because courts have generally ruled disfavorably for reverse engineering in the context of copyright protection.96

6. Compulsory licensing:

A third party may request the Copyright Commission to grant compulsory licensing of a copyrighted work, after the first anniver-

94. See Article 12, TRIPS Agreement, supra note 30; see also Article 7(1), Berne Convention, supra note 24.

95. The protection granted to photographic and audio-recording works exceeds that is required under both the TRIPS Agreement and the Berne Convention, which is 25 years. See Article 7(4), Berne Convention, supra note 24; Article 12, TRIPS Agreement, id.

96. See, e.g., Da Yu Wooden Musical Instrument, Inc. v. Yu-yin Musical Instrument, Ltd., (78) Tzu Tzu Ti No. 165, Criminal Judgment (Shih-lin District Court, Taipei, Taiwan, Nov. 29, 1989); affirmed, (79) Shan I Tzu Ti No. 470 (Taiwan High Court). Here the court made no distinction between reverse engineering and imitation (or piracy) in its ruling in favor of the plaintiff (regarding the recordation of various synthesized digital-electronic sound waves).
sary of its publication, covering literal, musical works or sound recording. However, the compulsory license thus granted will only apply to rights of Chinese translation, public broadcasting and sound-recording production of works for public welfare purposes ("mechanical rights," as in research, education or investigation). 97 No licensing shall be granted until at least nine months after the request is filed; nor will it be granted if a Chinese translation has in fact been published at a reasonable price or the author of the original work has withdrawn from circulation all copies of that work during a nine month period (Article 67).

Unlike Article 31 of the TRIPS Agreement, which spells out specific terms for the allowable compulsory licenses in patent, Article 13 only permits limitations and exceptions to the exclusive use of a copyright in such a way and to the extent that it does "not unreasonably prejudice the legitimate interests of the right holder." Therefore, it remains to be seen whether these provisions will be considered falling within the permissible parameters. The term "for educational purposes" can be interpreted so broadly and be so easily abused that the copyright owner's exclusive right may be substantially encroached. 98

7. Restoration copyright:

One of the most controversial issues in the U.S.-Taiwan IP negotiations was the restoration of copyrights. 99 Prior to the 1992

97. See also Article 1, Appendix, 1993 Copyright Agreement, supra note 9. Under this 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 U.S. copyrighted works or materials, provided that all procedural requirements are met.

98. Compulsory licensing for translated works has been one of the major focal points in the latest U.S.-Taiwan IP negotiations. See USTR, 1996 NTE Report, supra note 2, 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 BOFT, MOEA, The Legal Structure of I.P.R. Protection in the Republic of China on Taiwan: An Overview (hereinafter IPR Overview), at 13 (1996).

99. See Article 18, Berne Convention, supra note 24. 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
Copyright Amendment, the term of copyright protection was 30 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 protection to all foreign works published on or after July 10, 1965 (20 years) whose copyright would have been still valid under the old statute (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 50 years, the United States has been pressing Taiwan, as a precondition to the latter's accession to the WTO, to further extend its retroactive protection to foreign works dating from 50 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 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 23 provisions on the fair use doctrine (Articles 44-66). 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.\textsuperscript{100}

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 (e.g., 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 \textit{prima facie} case, as opposed to attacking the \textit{truth} of a claim. In other words, even assuming that the plaintiff's claim is true, it will not succeed because of the defense.\textsuperscript{101} Under Taiwan's procedural law, there is no requirement for the plaintiff to shoulder the burden of coming forward (to establish a \textit{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 as possible, or it may not be raised later on.\textsuperscript{102}

9. First sale doctrine/exhaustion:

Another highly controversial issue between the United States and Taiwan is the legality of parallel imports of copyrighted works, \textit{i.e.}, 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.

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

\textsuperscript{100} The language of this provision is identical to that of the U.S. law. \textit{See} 17 U.S.C. §107 (1997). 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 U.S. courts.

\textsuperscript{101} \textit{Fed. R. Civil P.} 8(c); \textit{see also} \textit{Black's Law Dictionary} 60 (6\textsuperscript{th} ed. 1990). Other examples include accord and satisfaction, statute of limitation, contributory negligence, and duress in a civil proceeding.

the cultural differences and educational benefits resulting from the permission of parallel imports. 103 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 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.

Thus, on April 28, 1993, the Legislative Yuan once again amended the Copyright Law, including the final and full ratification of the U.S.-Taiwan 1989 IPR Agreement, and averted another round of trade sanctions by the United States. 104 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 (book, compact disk, laser disk, or computer program) from the United States, United Kingdom or Hong Kong. Violators may be penalized by confiscation of

103. See Liu and Sun, supra note 59; Alford, supra note 15. Here the primary argument is that, as in the case of patents and trademarks (in supra discussions, contained in 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/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 10 times of the price of a pirated copy) but have been stable since.

104. This happened just two days before the USTR announced the annual “Special 301” identification. Initially Taiwan’s Legislative Yuan granted its approval on the 1989 U.S.-Taiwan IPR Agreement on January 18, 1993, just days before the agreed deadline under the 1992 IPR Understanding (January 31, 1993). It, however, reserved eight out of a total of 22 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. Durdey, Copyright Law in China and Taiwan, contained in Practicing Law Institute, Global Intellectual Property Series 1993: Protecting Trademarks and Copyrights Successful Strategies, at 311-335 (1993); see also Alford, supra note 15, at 106-111 for a detailed background illustration.
the excess copies and a maximum two-year imprisonment (Articles 87(4), 87-1 and 93(3)).

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, both Taiwan's domestic and foreign industries teamed up in searching for effective means to curtail piracy and counterfeiting activities, especially on exportation. After bitter negotiations, Taiwan gave in to U.S. 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. Taiwan did eventually invest millions of dollars and 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.


106. There were different estimates concerning American business' loss to Taiwan's IP piracy. Some even claimed that in 1991 alone, more than 70% of the U.S. Custom seizure of pirated computer software and other electronic products as well as more than 90% 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 IP offender in the world. Even Taiwan's domestic IP owners cried foul while pushing the government for meaningful reform and crackdown. See Liu and Sun, supra note 59, at 164-168; Alford, supra note 15, at 104. Based on IIPA's estimate, the U.S. copyright industry lost US$150 million in 1993, US$189 million in 1994, US$145 million in 1995 and US$250 million in 1996 to Taiwan's piracy. See IIPA, supra note 2 (February 20, 1996 and February 24, 1997).

107. See Regulation on the Export Management System Concerning the Computer Software-Related Products, BOFT Public Notice, (85) Mao Er Fa Tzu Ti No. 07608 (July 9, 1996)(hereinafter EMS Rules), with July 15, 1996 being the implementing 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.
So far, however, the result has been less than satisfactory. 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 seeming lack of interest from businesses to register renders the entire system a waste of time and money. Consequently, Taiwan had pushed for the abolition of EMS, but was met with U.S. objection. The United States argued that EMS should and did work; rather the cause of low registration and interest has been due to 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.

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:

(i) Criminal actions—

The Copyright Law provides for a maximum seven-year prison sentence for a copyright infringer. To be convicted, the intent to

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108. The technical aspect of the computer software inspection under the EMS is administered by 3I, 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 Article 2, EMS Rules; Article 2, Trademark Export Monitoring Operating Procedure; see also IPR OVERVIEW, supra note 98, at 25; Taiwan Raps Nintendo for Being Unreasonable, Agence France-Presse, Feb. 15, 1995, 1995 WL 7,759,484.

109. See BOFT Memorandum, How to Obtain Copyright Protection under the Export Management System (1996)(hereinafter EMS Memo). EMS currently monitors 14 categories of computer-related products, and the memorandum proposed to shift and focus the monitoring work on firms that have committed prior IP violations; see also Taiwan Agrees to Prohibit Pirated Programs on Cable Associated Press News Service, Asian Wall St. J., March 3, 1994, at 5.

110. See IPR OVERVIEW, supra note 98, at 25; see also EMS Memo, id. and supra note 107.

111. See Article 94, Copyright Law. 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
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) (Articles 487-512 of the Criminal Procedure Law).112

(ii) Civil actions—

In general, a damage claim awarded by the court may be 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$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 (Article 88).

(iii) 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.

(iv) Action by the BOFT—

The Trade Law of 1993 explicitly prohibits the exportation of pirated products (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 month to one

112. These provisions are the exercise of a criminal court's "append jurisdiction" that integrates civil procedures and remedies into criminal proceedings.
year, or to permanently revoke the license if the violation is serious (Article 28).

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.\textsuperscript{113} 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.\textsuperscript{114}

\textsuperscript{113} Note that 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 U.S. 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 plagiariztation 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 revolving the Microtek-Umax disputes, see Institute for Information Industry, Compilation of Intellectual Property Decisions (Part II): Cases on Trade Secrets, at 1-424 (Apr. 1995, text in Chinese).

\textsuperscript{114} See Article 39, TRIPS Agreement, supra note 30. Trade secrets are referred to as “undisclosed information” in the TRIPS Agreement.
The Trade Secrets Law clarifies the ownership issue in work-made-for-hire situations. Unless the contract provides otherwise, the employer owns the secret (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 (Article 4). In the event of joint development, all developers jointly and severally own the secret (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 (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 (Article 7).

The law expressly exempts trade secrets from being the subject matter of foreclosure or injunctive relief (Article 8). The Trade Secrets Law also imposes upon government officials, arbitrators, agents, counsels, witnesses or any other related individuals who come across the trade secrets because of their work the duty to maintain its confidentiality (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 (Articles 19(5) and 36 of the Fair Trade Law, Article 216 of the Civil Code).115 If the violator is convicted of fraud, the maximum imprisonment may be as high as seven years (Articles 339 and 340 of the Criminal Law).

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

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115. This is for those who engage in the acquisition of business or technology secrets by duress, inducement of profit or other unfair methods (Article 19(5) of the Fair Trade Law). 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 who are 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. Note that treble damages may also be imposed on intentional violators (Article 13 of the Trade Secrets Law) in addition to lost profit (Article 216 of the Civil Code), and the statute of limitation is two years from the time the plaintiff knows or should have known of the infringer(s) and the infringing act; or, ten years from the time the act takes place, whichever is earlier (Article 12).
is stipulated in a bilateral agreement or treaty (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.\textsuperscript{116} 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.\textsuperscript{117}

Obviously in the passage of its ICLPL, Taiwan adopted the \textit{sui generis} approach and modeled the law after the U.S. Semiconduc-

\textsuperscript{116} For instance, one of the most notorious (and still on-going) cases in recent memory 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 all the more difficult to resolve. \textit{See} Laura Tyson, \textit{Matra Hachette Offshoot May Quit Taiwan: Row Escalates with Taipei Authorities over Payments for Work on Commuter Rail System}, The Financial 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.

\textsuperscript{117} 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. \textit{See} Andy Pasek, \textit{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 (hereinafter Topics), No. 8, at 54 (October 1997); \textit{see also} Annie Huang, \textit{Former Piracy Kingdom, Gone Legit, Becomes Computer Giant}, Star-Ledger Newark, NJ, September 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. \textit{See From Backwater to Techno-power}, The China News, August 13, 1997. As a latecomer, however, Taiwan’s chip manufacturers are facing many difficult challenges as the global demand and the price of chips is falling. \textit{See} Leslie Chang, \textit{Chipmakers in Taiwan Feel Slump}, Wall Street 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.
tor Chip Protection Act of 1984 (SCPA). This law also takes into consideration Articles 35 to 38 of the TRIPS Agreement. 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. 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" (Article 16). Unlike a patent, however, the NBS will not conduct substantive review before a registration is granted (Article 10).

Once registered, the owner shall have the exclusive right to preclude unauthorized reproduction, importation or commercial distribution of the layout (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 under 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 (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.

118. Pub. L. No. 98-620, Title III, apprv'd, Nov. 8, 1984, 98 Stat. 3347 (codified at 17 U.S.C. §§901-914). 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. §906 is too broad to provide meaningful protection, thus making the objectives of the entire SPCA moot from the outset.)

119. Article 35 of the TRIPS Agreement mandates the application of Articles 2 through 7 (other than paragraph 3 of Article 6 on compulsory licensing), Article 12 and paragraph 3 of Article 16 of the Treaty on Intellectual Property in Respect of Integrated Circuits (hereinafter the IPIC Treaty).

120. Note, however, that registration must be filed within two years of first commercial exploitation (Article 13). Cf., Article 8, IPIC Treaty, id., which requires a term of at least eight years.

121. See Lewis, supra note 118, at 574-598. In addition, the rather broad-based permission of compulsory licensing may also negatively impact the chip manufacturers'
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 (Article 9). In this situation, no single joint owner of the layout may assign, license or create a pledge in his/her own share without the consent of all joint owners, although other joint owner(s) may not reject such transfer without just cause (Article 21). If a joint owner abandons his/her share, the abandoned share shall be allocated to other joint owner(s) pro rata to their share in the original ownership. A juristic person such as a corporation may also be the creator in this regard (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 (Article 7).

Despite the TRIPS Agreement's preclusion of paragraph 3, Article 6 in applying the IPIC Treaty on Intellectual Property in Respect of Integrated Circuits, 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 states in the future. Once a petition for compulsory license is filed, however, the owner(s) 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 the owner has taken no action after being

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incentive to use this law for chip protection, forcing them to look for other alternatives, such as process patent protection under the Patent Law.
properly notified and the contract does not restrict his/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 (Article 29). This rule does not apply, however, if the third party has separated the infringing circuit from the products. An "infringement assessment report" (IAR) must be submitted when the layout owner or licensee exercises his/her rights. Neither the law nor its Implementing Regulation specifies how this report may be obtained. Past practice suggests the competent authority (the NBS) is likely to designate a number of institutions (such as 3I or ITRI) to serve as official inspectors. 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 manufacturing of 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) (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(s) (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 (Article 31).

Under regular administrative procedures for IP disputes, a party should first file a petition before the same administrative

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122. This is similar to the "innocent infringement" exception under U.S. law. See 17 U.S.C. §907 (1997). 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).

123. Note that there is no public notice requirement as prima facie evidence of protection. Thus the plaintiff(s) would still bear the burden of proving infringement.

124. See supra note 19.
agency (e.g. NBS) for adjudication (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 (Article 36). 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 Winbond Electronics Corporation, a local Taiwan company. Toward the end of the year, i.e., in just one month, more than 200 circuit layout (mask work) registration applications were filed, most of them domestic and Japanese filings.125

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 15 years, from the date the title of protection is issued (Articles 5, 19).126 “New species” is defined as “a plant group that has at least

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126. 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 (18 years), and the rest of plant varieties (which enjoy 15-year protection), as stipulated in Article 8 of the International Convention for the Protection of New Varieties of Plants (December 2, 1961, as amended; hereinafter UPOV).
one significant characteristic to be distinguishable from that of the existing species; provided, that its major characteristics and form are inheritable and stable” (Article 3(3)). The registration and protection regime resembles that of the patent system (Articles 11-21, 41-45). The breeder has the right to promote, produce (for the purpose of commercial marketing), offer for sale and market the new genera or species (Article 8). Note that the governing authority is the Council of Agriculture.

So far very little has been 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 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. . .”127 The NBS immediately began the drafting of 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 granting industrial designs trademark and/or copyright protection.128 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.

127. See supra note 113; unlike the trade secrets law which may be enacted if necessary, this is one of the “must do” items under the 1992 IPR Understanding.
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 (Article 11, 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 (Article 8). The same rules also apply to commodity advertising (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 (Article 21, paragraph 4 of the Fair Trade Law). Violators may be subject to criminal charges and penalties for forgery (Article 255 of the Criminal Law), which carries a prison term of no more than one-year plus fine, in addition to administrative penalties (Article 15).

J. **Pending 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 IP 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 1996.129 Despite its

129. See Executive Yuan, *Action Plan for Enhanced Protection of IPRs of the Republic of China* (April 1996), recited in MOEA 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 di-
past achievements, this latest effort 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. 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 IP legislative and enforcement reform.

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

rectly 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 U.S.-Taiwan bilateral IP 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 U.S. granting of a visiting visa to Lee a direct violation of the three diplomatic communiqués between the United States and China and a 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 IP dispute. See, generally, Julian Baum, Taiwan Tough Talk: President Lee Raises the Ante on Cross-strait Ties, Far Eastern Eco. R., Nov. 20, 1997, at 31.


131. See USTR Press Release No. 96-89 (November 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." This was without regard to the 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.
Trademark Laws. Highlights and issues of the 1996 Action Plan include, *inter alia* —

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*" [emphasis added]. 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 U.S. 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. 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. This is due in part to the still hostile political atmos-


133. See IIPA, Special 301 Recommendations, *supra* note 2, at 105 (February 20, 1996). In this report, the U.S. 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 U.S. 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, 15 Taiwan CD manufacturers signed a self-imposed Pledge on IP 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.

134. The Ministry of the Interior made it clear that the word "territory" as contained in Article 1.2 of the 1993 Copyright MOU does not include Mainland China, as far as Taiwan's jurisdiction is concerned. See Ministry of the Interior Memorandum, Tai (85) Nei Chu Tzu Ti No. 8513411 (August 14, 1996). The domestic law that governs
sphere between the Mainland and Taiwan, at least at the government level, which has resulted in the lack of judicial assistance and cooperation between the two sides. Nevertheless, the Minister of Justice (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. The Minister further instructed all prosecutors that IP 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 IP infringement. Yet some

Taiwan’s relationship with the PRC is the Statute Governing Relations between Peoples of Taiwan and the Mainland Area, as amended (effective: September 18, 1992, and commonly referred to as Cross-Strait Relations Statute or CSRS, with the strait being the Taiwan Strait that geographically divides Mainland and Taiwan, its implementing regulation and related administrative rules. Article 15 of CSRS states, inter alia, that no Taiwan national(s) or corporation(s) may cause or employ Mainland national(s) in conducting activities that are unauthorized or inconsistent with the purpose of the authorization or broker 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 (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 actively involve in piracy in Mainland China, including those who aid or abet piracy. One exception: in the event an individual has exercised due diligence to prevent violations, no liability or criminal penalty will be imposed, while a corporation still is subject to a fine equivalent to the penalty imposed on an individual (Articles 83-84).

135. 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.

136. See MOJ MEMORANDA, (85) Fa Chien Chüeh Tzu Ti No. 12375 (May 23, 1996); (85) Fa Chien Chüeh Tzu Ti No. 21201 (August 20, 1996); and, USTR, 1997 NTE REPORT, supra note 2, at 353. Note that as a result of the April 1997 U.S.-Taiwan IP consultation, the Ministry of Justice issued another memorandum that seeks to clarify two points: (a) prosecutors may not deny a complaint filed by a U.S. copyright holder or his/her agent simply because the complainant fails to present the original copyright certificate issued by the U.S. Copyright Office, and 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 MOJ MEMORANDUM, (86) Fa Chien Chüeh Tzu Ti No. 9915 (April 11, 1997). Article 41 permits
prosecutors in 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. Therefore, it remains to be seen how successful this extra-territorial 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, 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. The Government Information Office (GIO) now also requires CD publishers provide their SID before a publication registration certificate may be issued. Given the suc-

137. Author's interview with prosecutors in Taiwan, conducted in May 1997. Contrary to the opinion of the Ministry of the Interior (Copyright Commission), the MOJ takes the view that any copyright infringement committed on the Mainland is still considered a crime committed within the Republic of China'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 MOJ Memorandum, (85) Fa Chien Chieh Tzu Ti No. 21201, id.; cf., supra note 134. 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. For detailed statistics, see IPR Overview, supra note 98, at 54-55.

138. MOEA Public Notice, Jin (85) Shang Tzu Ti No. 85213883 (July 31, 1996) on audio CDs (to be effective January 1, 1997) and MOEA Public Notice, Jin (86) Shang Tzu Ti No. 86221075 (October 29, 1997) on video CDs (or LDs) (to be effective April 16, 1998). This is in accordance with Article 12 of the Commodity Labeling Law, which grants the MOEA 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 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, supra note 136.

139. See, e.g., Article 3, Guidelines on Foreign Contracted Export-Processing Publications, Government Information Office Order, (85) Chi Ban I Tzu Ti No. 16656 (December 4, 1996), which expressly requires proof of copyright, either with appropriate
cessful example of a similar system implemented in China, it is ex-
pected 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.\textsuperscript{140} 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.\textsuperscript{141}

3. Enhancing general enforcement:

On procedural matters, the 1996 Action Plan seeks to stream-
line and simplify the document verification process and prosecu-
tion; 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(s).\textsuperscript{142}

On substantive law matters, the 1996 Action Plan promises to
study and find a way for U.S. copyright holders to enjoy a rebutta-
ble presumption (\textit{prima facie} evidence) of valid copyright in civil
and criminal proceedings in Taiwan, similar to what they now enjoy
under the U.S. law.\textsuperscript{143} The Plan also confirms that the current

\textsuperscript{140} 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 obso-
lete to those who have prior piracy record or are suspicious/likely to commit piracy
elsewhere (particularly Mainland China). See supra note 133; \textit{Intellectual Property
Rights Initiative in Support of Legitimate CD Production}, 26 \textit{TOPICS}, No. 5, at 63 (May
1996). See also C.W. Ting, \textit{Anti-counterfeiting Self-Pledge, Lee and Li Bulletin}, May

\textsuperscript{141} See § 1.3, 1996 Action Plan, supra note 129.

\textsuperscript{142} See § 2, 1996 Action Plan, supra note 129 and supra note 136.

\textsuperscript{143} 17 U.S.C. §410(c)(1997). In a later document issued by the Ministry of the In-
terior, however, the Copyright Commission insists that a mere showing of a copyright
Copyright Law already protects performers against bootleg recording. 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. 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, in ter 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. The 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 review 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 suit. Courts are also urged not to use the Copyright Registry as the sole basis of its judgment on validity. See MOI 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.

144. Cf, Article 14(1), TRIPS Agreement, supra note 30. "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 42, at 43.

145. The closest such interpretation that can be made is by relying on Article 3(5) of the Copyright Law, 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." 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.

146. See § 2.5, 1996 Action Plan, supra note 129. It remains to be seen to what extent the word "solely" is to be interpreted.
Action Plan commits continuous efforts for public education and enforcement against parallel imports of patented or copyrighted products.\textsuperscript{147}

In response to U.S. 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.\textsuperscript{148} These emerging issues include, \textit{inter alia}, satellite, multimedia, the so-called "information superhighway" or Internet, and anti-circumvention measures (decrypting equipment).\textsuperscript{149} These promises, however, may not satisfy the demands of the U.S. industry, which wants to see legally binding commitments and concrete actions.

4. Streamlining and expediting the EMS:

As indicated in III. D. 10. supra, 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 yet, owing to American pressure, Taiwan turned to U.S. 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 actions.\textsuperscript{150} 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 ad-

\textsuperscript{147} See §§ 2.7 and 2.8, 1996 Action Plan, supra note 129.

\textsuperscript{148} See § 2.10, 1996 Action Plan, supra note 129.

\textsuperscript{149} 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 U.S. government beginning a year earlier. See NII Steering Committee of the Executive Yuan, \textit{The National Information Infrastructure (NII) of R.O.C.: Abstract}, printed on the Web at URL: http://www.nii.gov.tw/niieng/nii.htm (August 1997). 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.

\textsuperscript{150} See §3.1, 1996 Action Plan, supra note 129. 3I is the designated organization to handle the task, including the daily function of this newly created "Customer Service Desk."
ministrative penalties, and make them available to businesses using
the EMS.\footnote{151} 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 \textit{only} to citizens or resi-
dents of Hong Kong, Spain, the Republic of Korea (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 \textit{Nintendo of America, Inc. v. NTDEC} for copyright in-
fringement and trademark damages.\footnote{152} The accused infringers are
NTDEC, Nintendo Electronic Co. (located in Taiwan), Mega Soft
Inc. (a California company which served as a front for the defend-
ants) 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.\footnote{153} In a default judgment, the district court
held the defendants liable, both jointly and severally, and awarded
Nintendo of America, Inc. (hereinafter NOA, a wholly-owned sub-
sidy of Nintendo Co. Ltd. of Kyoto, Japan, hereinafter NCL) more
than US$24 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.\footnote{154}

Even before this case was decided, NCL had turned to Taiwan
to seek enforcement of its rights there, but almost immediately en-
countered two major problems. First, the EMS was not in place

\footnote{151. See §§3.2-3.4, 1996 Action Plan, supra note 129; see also Article 4, EMS Rules,
supra note 107. It appears that the latest revision to EMS Rules did reduce the bureau-
cracy and red tape, therefore speeding up processing time. Based on the author’s inter-
views with 31 officials, as long as the paper work is complete, the registration, hence
protection, can take effect in as little as 72 hours, and the entire process is now by and
large automated.}

\footnote{152. 822 F.Supp. 1462 (D. Az. 1993). Although this is a federal district court case in
the United States, its very nature, timing and the large sum of damages involved re-
ceived significant local media attention and coverage in Taiwan. Almost all the major
print media reported this ruling on May 25, 1993 and subsequent dates.}

\footnote{153. Admissions made during Nintendo’s investigators visit to the defendants’ facili-
ty in Taiwan. \textit{Id.} at 1464.}

\footnote{154. \textit{Id.} at 1467-68. For detailed discussions on the enforcement of such a worldwide
injunctive relief, see John R. Thomas, \textit{Litigation Beyond the Technological Frontier:
when the infringement took place (1990-92). 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.\textsuperscript{155} 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 U.S.-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 (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 U.S. copyrighted software whereas products coming straight from Japan remain unprotected. The BOFT also maintains that the EMS Rules offer no retroactive protection, \textit{i.e.}, protection begins on the date of registration and forward, but not before.\textsuperscript{156} Thus, Nintendo can now effectively protect its software in Taiwan if, and only if, it is registered under the EMS, and filed by NOA (on the premises that it has received U.S. 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.\textsuperscript{157} It follows that for

\textsuperscript{155} In accordance with Article 4(1) of the Copyright Law, 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.

\textsuperscript{156} See 31, \textit{Special Inspection Case Report: On Nintendo’s Software Infringement} (May 27, 1993).

\textsuperscript{157} This, 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 \textit{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
companies or individuals of foreign origin whose country does not have a reciprocal arrangement on IP 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 IP infringers.\textsuperscript{158} Meanwhile, Nintendo has taken a very aggressive stand in bringing legal and political action against Taiwan companies \textit{in} the United States.\textsuperscript{159} This strategy can be attributed 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.\textsuperscript{160} Con-

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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. \textit{Id.}

\textsuperscript{158} See §3.4, 1996 Action Plan, \textit{supra} note 129. 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. \textit{See supra} note 108. It does appear that after years of animosity, there is a serious lack of trust between the two sides.

\textsuperscript{159} 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. \textit{See Nintendo Sues Taiwan Semiconductor Maker,} Seattle Times, February 22, 1997, at C1; \textit{Technology Brief: Nintendo Co.,} Asian Wall St. J., March 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 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 \textit{indirectly} for a foreign interest and whether that is appropriate under U.S. law and policy.

\textsuperscript{160} \textit{E.g.,} Intel sued United Microelectronics Corporation (UMC, Taiwan’s second largest chipmaker) in 1994 in federal court in California and Twinhead Corporation
versely, foreign firms are willing to use the American legal system against American companies on American soil, especially in disputes involving microelectronic devices.\textsuperscript{161}

IV. FUTURE CHALLENGES FOR TAIWAN

As illustrated, Taiwan has come a long way in a relatively short time to drastically improve its IP 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, \textit{i.e.}, the installation of a superimposed system through diplomatic/political means, and entered into the next phrase. At this phase, a self-initiated, self-imposed reform accomplished mostly through legal means gradually will take 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 IP protection. Consequently, there will no doubt be many challenges ahead in Taiwan's quest for better and more effective IP protection.

\textsuperscript{161} See Lawrence B. Friedman and Ayala Deutsch, \textit{More Foreign Firms File IP Claims in U.S. Courts: An Increase in Foreign Ownership of Domestic IP Rights Demands a Cross-Border Litigation Strategy}, 19 \textsc{Natl. L. J.} No. 9, at C34 (Oct. 28, 1996).
The 1996 Action Plan should be considered the beginning of this second phase reform. The evolution of Taiwan's IP 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. To further illustrate —

A. Organizational Integration and Coordination

Taiwan is undertaking a major task to streamline the government's organization in coping with ever-growing IP operations. The first goal is to consolidate the patent and trademark operations in the present NBS and the Copyright Commission into a single Intellectual Property Bureau (IPB) and place it under the MOEA, whereas the other part of the NBS will be to strictly deal with issues related to national standards.162 Hopefully, the new IPB will have an increased budget, facilities, personnel and other resources to meet future IP challenges.163

However, by merely placing patent, trademark and copyright operations under the same roof probably will not solve many existing problems. One of the most pressing problems is the so-called "outside examiners" under the current patent system.164 A unique design in view of global IP 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

162. See Article 8, Amendment to the Organizational Law of the Ministry of Economic Affairs (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 IPB Organization Bill on February 27, 1997 and it is now pending before the Legislative Yuan for First Reading. See Minutes of the 2516th Conference of the Executive Yuan, 3 Official Gazette of the Executive Yuan, No. 11, at 36 (March 12, 1997). If passed, 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.


164. Article 13 of the NBS Organization Law 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.
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. 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. Moreover, recently there was a proposal to increase the size of the outside, part-time examiners, but it was quickly dropped after receiving heavy criticism. On the other hand, the majority of

165. 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 (thus he claimed should render 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.

166. 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 Legislative Yuan, Draft Organization Law of the Intellectual Property Bureau, MOEA, Government Legislative Proposal No. 5764, Yuan Zong Di No. 1752 (March 22, 1997)(hereinafter IPB Bill). 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 NBS, MOEA, YEARBOOK OF PATENTS AND TRADEMARKS, THE REPUBLIC OF CHINA: 1995, at 24-32. Because of budget constraints, a hiring ceiling and an across-the-broad 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 their expertise.

167. Mr. Ming-bang Chen, NBS' Director-General, 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.
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. 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 IP agencies into a single IPB is completed.

An integrated IPB could certainly make the setting of IP 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 IP enforcement. Currently, six ministries and one commission have IP-related duties under the Executive Yuan, yet there have been “glitches” among their works (see Tables: IP Enforcement Organizational Layout).

For instance, the Department of Police Administration (DPA, a part of the Ministry of the Interior) may not necessarily oblige fully requests from the Anti-Counterfeiting Committee (a part of MOEA), because of the DPA’s own resource allocation, such as manpower, priority and scheduling. The same happens between the 3I and the Customs Service, with the latter not being particu-

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168. Author’s interviews with NBS examiners, May and July 1997.
169. 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 IPB Bill, supra note 166. Cf. Hueih-Mei Wu, supra note 163 (“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 supra note 61.
170. 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. See supra note 17.
larly capable of checking pirated computer software, given its highly technical details.

B. Court Proceedings

To ensure speedy and more effective resolution of IP 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 IP, 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.

Table 1: Intellectual Property Enforcement
Organizational Layout:
The Executive Branch (Revised from Institute for Information Industry chart)
The first area is the court’s jurisdiction over IP 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.\textsuperscript{171} 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 then put on hold while the issue is referred back to the NBS for determination.\textsuperscript{172} The court simply does not have the authority to resolve this matter \textit{de novo}. It follows that delay becomes a common practice for the accused infringer, which, if exercised skillfully, can distract and drastically prolong the litigation, causing enormous extra damages to the patent holder.

The second area is the formation of specialized courts for IP disputes. One possible solution to avoid a major overhaul to the current system is to create a specialized IP chamber or division within the existing judicial structure, while maintaining a balance between the interests of the IPR holder and the general public.\textsuperscript{173}

\textsuperscript{171} See Article 25, Administrative Litigation Law; Article 182, Civil Procedure Law.  
\textsuperscript{172} See Article 60, Trademark Law; Article 94, Patent Law.  
\textsuperscript{173} See 1993 Action Plan, supra note 84. Note that although Taiwan pledged to establish a specialized IP chamber or division, it had not been realized by the end of 1997. 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
Hopefully, 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 on-going, 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 to establish better and sound discovery rules. In civil litigation, although courts still retain the power to conduct _ex officio_ investigations to find evidence (Articles 286-297, Civil Procedure Law), Taiwan has gradually moved away from judge’s inquisition and toward a discovery proceeding more or less conducted by the parties themselves (Articles 270, 271 and 277, Civil Procedure Law). 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 resources.  

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 circum-

where IP 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 IP field; and, (d) many judges fear being pigeonholed and “stuck” in the IP area, thus affecting promotions.

174. 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 IP 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 IP laws that allow a stronger civil penalty and protection against IP infringers, the government apparently hopes that many cases will eventually flow back to the civil tribunal. See MOJ Memorandum, _Guidelines in Handling Criminal Prosecution for Copyright Violations_, (79) Fa Chien Tzu Ti No. 11079 (August 2, 1990). _See also supra_ note 112.
stances). Although the Civil Procedure Law mandates that appeals to the Supreme Court should be limited to questions of law, judges sometimes consider the evidence and remand the case to the High Court for re-determination of facts. This practice certainly makes the litigation process even lengthier. Rather, the law encourages the appellants to file new facts and new pleadings on appeal, therefore significantly lengthening the process (Articles 441 and 447). Another practical effect is that both parties are trying their best to withhold or conceal critical facts to their advantage until the appeal and only use the first trial as a ground to test the other side's strength. As such, the Taiwan High Court has more or less become a duplication of its lower courts and judges are bogged down by the incredible backlog of cases. Meanwhile, there are not enough respectable opinions produced because the district courts’ rulings are often based only on partially given or discovered facts, whereas higher courts are busy clearing out existing, heavy caseloads.\(^{175}\)

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 decisions of the Supreme Court only have *stare decisis* authority. However, the annual publication, *Tsui Kao Fa Yuan Pan 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 decisions by the Judicial Conference can be cited as precedents. On the other hand, in recent years, courts are showing more independent thinking than ever before. So far courts have reversed roughly 10% of agency decisions, a rate unthinkable even a decade before.\(^{176}\) More judges are selected each year to participate in international IP exchange or training programs. This has given them a much-needed international exposure to the global IP development and discussion, such as the controversies over rules on patent claim interpretation (*e.g.*, doctrine of the equivalents), trademark dilution, and the problems

\(^{175}\) As can be seen, these are the common problems that go beyond IP and really have across-the-board impact. For detailed analyses of Taiwan’s civil law tradition and issues, see Kathryn Bernhardt, Philip C. C. Huang, eds., *Civil Law in Qing and Republic of China* (1994), and John H. Merryman, David S. Clark & John O. Haley, *The Civil Law Tradition: Europe, Latin America, and East Asia* (1994).

\(^{176}\) See Judicial Yuan, Szu Fa An Chien Fen Hsi (*Analysis of Judicial Cases*), at 635-666 (1994).
revolving digital transmissions (as in Internet transactions or "transient reproduction").

C. International Interactions

Since the mid-1980s, IP 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-tech island." To accomplish this goal, Taiwan must establish a clear track record of adequate and effective IP protection as well as full market access from within. Simultaneously, both the government and citizens of Taiwan should also pay close attention to global developments, abide by international norms and seek out opportunities to participate in international IP harmonization efforts.

An important recent development in the United States is the passage of the Economic Espionage Act of 1996 (hereinafter EEA), which imposes severe criminal penalties on trade secrets thefts.

177. For detailed introduction and analysis of Taiwan's judicial process in dealing with IP cases, see Justice Peggy Pi-hu Hsu, An Overview on Intellectual Property Related Litigation in the Republic of China (ROC), printed in Liu and Sun, eds., supra note 4, at 17-24; Bruce E. O'Connor and David A. Lowe, Comparative Analysis of Intellectual Property Dispute Resolution Processes in Mainland China, Taiwan and the United States, supra note 4, at 57-132.

178. See Matei P. Mihalca, 1997-1998 Taiwan White Paper, 27 TOPICS, No. 7, supra note 117, at 13 (Sept. 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 Tai-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).

179. Pub. L. 104-294, Apprv'd, Oct. 11, 1996, 110 Stat. 3488 (as a part of H.R. 3723); 18 U.S.C. §§1831-1839. 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
In accordance with the Federal Bureau of Investigation (hereinafter 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 which includes the technology to build the National Information Infrastructure, computer software/hardware, advanced transportation and engine technology, advanced materials and coatings, which includes 'stealth' technologies, energy research, defense and armaments technology, manufacturing processes, and semiconductors." Therefore, these are also the areas receiving top priority in FBI enforcement. 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. It may be coinci-

value with the intent to benefit any foreign government, instrumentality or agent (18 U.S.C. §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 U.S. 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.

180. See Louis J. Freeh, Director, Federal Bureau of Investigation, 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. (February 28, 1996).

181. James Kallstrom, Assistant Director of the FBI, is quoted as saying “[economic espionage] is the most significant threat to U.S. national interests since the collapse of the Soviet Union.” See 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 Tribune, February 4, 1997, at 1D.

182. The first case under the EEA is the Worthing Brothers case (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 is U.S. v. James Kai-lo Hsu, et. al. (involving the alleged stealing of Taxol technology, an anti-breast cancer drug produced by Bristol-Myers Squibb Co. of Evansville, IN. Outcome: 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. Formal trial is scheduled in March 1998). The third case is U.S. v. Pin Yen “Put” Yang, et. al. (involving the alleged stealing of pressure-sensitive adhesive technology from Avery Dennison Corporation of Concord, OH. Outcome: 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, is U.S. v. Stephen L. Davis (involving the illegal disclosure of and
dental, but this development nevertheless demonstrates the U.S. 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.183

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.184 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 IP issues.185

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183. See Taiwan Denies Scam Claim: Economic Minister Rejects US Report Suggesting Government Behind Theft Attempt, China Times, June 22, 1997, 1997 WL 12,113,646; and, Bruce Cheesman, Industrial Spy Case Puts Heat on Taipei Copycat Drug Firms, Business Times (Singapore), June 24, 1997, 1997 WL 7,768,801. In the case of James 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, 1997 WL 11,870,477. Meanwhile, Mr. Cheng-hao Liao, Taiwan's Minister of Justice, has openly rejected any attempt to extradite the third defendant 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, 1997 WL 21,509,81.


185. Examples include the WIPO Copyright Treaty, CRNR/DC/94, adopted at Geneva on December 20, 1996; WIPO Performances and Phonograms Treaty, CRNR/DC/95, adopted at Geneva on December 20, 1996; and Trademark Law Treaty, adopted at Geneva on October 27, 1994. Other developments include the Draft Patent Law Treaty, PLT/CE/V/3, December 15, 1997; and, the Draft Protection of Well-Known Marks, WKM/CE/I11/2, October 23, 1997. In addition, on-going dialogue and/or studies on In-
V. CONCLUSION

The experience of Taiwan’s IP 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 IP reform and perfection. To illustrate —

A. 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;

B. 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, such as the state of economic development, public education level and awareness, integrity of the government and the availability or accessibility of information;

C. While a nation may be under outside pressure to make certain changes, it is domestic pressure that prevails on certain critical elements in the end. Hence it is utterly critical for the outside pressure source(s) 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;

D. The most effective tool to convince that nation’s leadership of the need for better IP protection is the pressure from within, i.e., a self-initiated urge that stronger IP 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;

\[\text{ternet domain names, geographic indication, database, and folklore protection at WIPO are destined to impact the future agenda and direction of global IP protection. Hence, regardless of WIPO or WTO membership, there is no reason for Taiwan to fail to adopt the same international norms in its future IP development.}\]
E. The pressuring country may need to commit a good deal of resources to assist the pressured nation’s IP 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, and must be prepared to be ridiculed or opposed by the people and government of the pressured country in making this effort a success; and,

F. 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 IP 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 IP 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 IP 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 7th leading export market of the

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186. This compliment, ironically, comes from one organization that has been one of the harshest critics on Taiwan’s past IPR protection. See IIAP, supra note 4.
United States, the 15th largest economic power in the world, and has indeed become a major global economic player. Thus it really should be included in future international IP 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 IP problems, as long as their leaders make the same commitment, and employ the same concrete efforts to carry IP reforms through, as Taiwan continues to do.

POST SCRIPT — NEW DEVELOPMENTS

On December 30, 1997, the Legislative Yuan enacted, and President Lee Teng-hui signed into law, on January 21, 1998, the latest (and the 10th) revision of the Copyright Law (hereinafter the 1997 Copyright Amendment). This is part of the “omnibus WTO compliance legislation package” in preparation for Taiwan’s formal accession to the WTO. This new Copyright Law now recognizes

187. See USTR, 1997 NTE REPORT, supra note 2, at 349.
188. 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 No. 8 out of 53 nations in its latest survey, up one notch from the 1996 survey. See Taiwan’s Eco. Competitiveness Ranked 8th Highest In World, Tradewinds, Monday, September 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, The Free China Journal, April 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.
189. See III. A. 12., supra, on 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 (curr-
performance as an independent right and is subject to independent protection (Article 7bis).\textsuperscript{190} It also makes it clear that the protectable subject matter covers expressions only and does not extend to ideas, procedures, methods of operation, manufacturing or operational processes, concepts, or theories (Article 10bis).

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 U.S. 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 \textit{prima facie} case of infringement before fair use may be claimed by the defendant as an affirmative defense.\textsuperscript{191}

With the exception of musical works, the 1997 Copyright Amendment repeals all other forms of compulsory licensing schemes.\textsuperscript{192} 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, \textit{i.e.}, the plate right, for a term of

\textsuperscript{190} Unlike the American system where performance rights in sound recordings (\textit{Droits Voisins}) are not protected (17 U.S.C. §§ 106(a) 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 \textit{de minimis} performances (which resembles the "\textit{Aiken exemption}" in 17 U.S.C. § 110(5)). \textit{See also} Articles 41 and 55, 1997 Copyright Amendment; \textit{Twentieth Century Music Corp. v. Aiken}, 422 U.S. 151 (1975).

\textsuperscript{191} The application of this statute can be very tricky. As indicated in III. D. 8., \textit{supra} notes 101-102 and the 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/her own infringing act \textit{before} the plaintiff has met his/her burden while still risking not being justified as fair use. Thus, ironically, this provision may in effect shift the burden to the defendant and create a presumption of infringement.

\textsuperscript{192} 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 \textit{six months} (Article 69). Formerly such a license may not be imposed or issued until after two years of the release.
ten years protection from the completion of the [print] plate of a work whose copyright has expired (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.

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 (Article 89bis). Article 90bis further provides a detailed mechanism for border enforcement. This is to fulfill Taiwan’s pledge in the 1996 Action Plan.

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 (Articles 106bis — 106quater). 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 (Article 117). To ensure a smooth transition, Article 106ter 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 (Paragraph 2, Article 106quater). Note that derivative works are expressly exempted (Paragraph 3, Article 106quater).

Article 115ter now specifically authorizes the establishment of specialized courts (chambers) or personnel to handle copyright related litigation. Yet the formal establishment of these courts or chambers may still be months, if not years away.

Regardless of the U.S. negotiators’ strong urge, the 1997 Copyright Amendment does not include any anti-bootlegging provi-

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193. See IV. B., supra, for detailed discussions.
194. See id. on the practical difficulties in establishing this new system, although, arguably, those obstacles seem less likely to persist in light of this mandate. In any event, this will require the Legislative Yuan to amend the Organization Law of the Courts before this can happen.
sion. Nor does it take measures to deal with anti-circumvention measures, believing they are too premature to be legislated. Therefore, these issues are likely to remain hotly contested in Taiwan’s future IP 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 Bureau, MOEA (IPB 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. Under their present language, most of the functions of the MOEA Anti-Counterfeiting Committee will be consolidated into the future IPB (Article 2), all outside examiners will be phased out in five years since the implementation of this bill (Article 16) and the IPB may establish branch offices in various regions (Article 13). Article 7 of the IPB Bill nevertheless set a cap on the maximum hiring of

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196. See supra notes 166 and 169. Article 16 sets forth a mandatory five-year, phase-out period for all part-time and contracted patent examiners, but the 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 Kuomingtang (KMT, or the Nationalist Party). Accordingly, the bill will drop the time restriction. In return, the NBS will fully implement its existing five-year plan and sponsor an agency-wide program to offer preparation and guidance to all of its current outside and contracted examiners for an eventual national qualifications 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 IV. A., supra, for detailed discussions.

197. See IPB Bill, supra note 166.
patent examiners at 284, a number that no doubt will and should be further debated during the legislative process.\textsuperscript{198}

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. It appears that both the Executive Yuan and the Legislative Yuan have placed legislative proposals concerning intellectual property on the front burner and despite many ensuing controversies, they are indeed likely to be enacted soon, especially given the general expectation that Taiwan’s accession to the WTO may be imminent.

\textsuperscript{198} The IPB Bill renames the examiners (both patent and trademark) as “examining officers (EOs)” and divides them into three categories: Senior EOs, EOs and Assistant EOs.
APPENDIX

Agreement on Trade-Related Aspects of Intellectual Property Rights —Annex 1C to the Final Act Establishing the World Trade Organization (WTO) at Marrakesh, Morocco, of April 15, 1994

Source: World Trade Organization

PART I GENERAL PROVISIONS AND BASIC PRINCIPLES

PART II STANDARDS CONCERNING THE AVAILABILITY, SCOPE AND USE OF INTELLECTUAL PROPERTY RIGHTS

Section 1 Copyright and Related Rights
Section 2 Trademarks
Section 3 Geographical Indications
Section 4 Industrial Designs
Section 5 Patents
Section 6 Layout-Designs (Topographies) of Integrated Circuits
Section 7 Protection of Undisclosed Information
Section 8 Control of Anti-Competitive Practices in Contractual Licenses

PART III ENFORCEMENT OF INTELLECTUAL PROPERTY RIGHTS

Section 1 General Obligations
Section 2 Civil and Administrative Procedures and Remedies
Section 3 Provisional Measures
Section 4 Special Requirements Related to Border Measures
Section 5 Criminal Procedures

PART IV ACQUISITION AND MAINTENANCE OF INTELLECTUAL PROPERTY RIGHTS AND RELATED INTER-PARTIES PROCEDURES

PART V DISPUTE PREVENTION AND SETTLEMENT
PART VI TRANSITIONAL ARRANGEMENTS
PART VII INSTITUTIONAL ARRANGEMENTS; FINAL PROVISIONS

AGREEMENT ON TRADE-RELATED ASPECTS OF INTELLECTUAL PROPERTY RIGHTS

Members,

Desiring to reduce distortions and impediments to international trade, and taking into account the need to promote effective and adequate protection of intellectual property rights, and to ensure that measures and procedures to enforce intellectual property rights do not themselves become barriers to legitimate trade;

Recognizing, to this end, the need for new rules and disciplines concerning:

(a) the applicability of the basic principles of GATT 1994 and of relevant international intellectual property agreements or conventions;

(b) the provision of adequate standards and principles concerning the availability, scope and use of trade-related intellectual property rights;

(c) the provision of effective and appropriate means for the enforcement of trade-related intellectual property rights, taking into account differences in national legal systems;

(d) the provision of effective and expeditious procedures for the multilateral prevention and settlement of disputes between governments; and

(e) transitional arrangements aiming at the fullest participation in the results of the negotiations;

Recognizing the need for a multilateral framework of principles, rules and disciplines dealing with international trade in counterfeit goods;

Recognizing that intellectual property rights are private rights;

Recognizing the underlying public policy objectives of national systems for the protection of intellectual property, including developmental and technological objectives;

Recognizing also the special needs of the least-developed country Members in respect of maximum flexibility in the domestic implementation of laws and regulations in order to enable them to create a sound and viable technological base;
Emphasizing the importance of reducing tensions by reaching strengthened commitments to resolve disputes on trade-related intellectual property issues through multilateral procedures;

Desiring to establish a mutually supportive relationship between the WTO and the World Intellectual Property Organization (referred to in this Agreement as “WIPO”) as well as other relevant international organizations;

Hereby agree as follows:

PART I
GENERAL PROVISIONS AND BASIC PRINCIPLES

Article 1
Nature and Scope of Obligations

1. Members shall give effect to the provisions of this Agreement. Members may, but shall not be obliged to, implement in their law more extensive protection than is required by this Agreement, provided that such protection does not contravene the provisions of this Agreement. Members shall be free to determine the appropriate method of implementing the provisions of this Agreement within their own legal system and practice.

2. For the purposes of this Agreement, the term “intellectual property” refers to all categories of intellectual property that are the subject of Sections 1 through 7 of Part II.

3. Members shall accord the treatment provided for in this Agreement to the nationals of other Members. In respect of the relevant intellectual property right, the nationals of other Members shall be understood as those natural or legal persons that would meet the criteria for eligibility for protection provided for in the Paris Convention (1967), the Berne Convention (1971), the Rome Convention and the Treaty on Intellectual Property in Respect of Integrated Circuits, were all Members of the WTO members of those conventions. Any Member availing itself of the possibilities

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1. When “nationals” are referred to in this Agreement, they shall be deemed, in the case of a separate customs territory Member of the WTO, to mean persons, natural or legal, who are domiciled or who have a real and effective industrial or commercial establishment in that customs territory.

provided in paragraph 3 of Article 5 or paragraph 2 of Article 6 of the Rome Convention shall make a notification as foreseen in those provisions to the Council for Trade-Related Aspects of Intellectual Property Rights (the "Council for TRIPS").

**Article 2**

**Intellectual Property Conventions**

1. In respect of Parts II, III and IV of this Agreement, Members shall comply with Articles 1 through 12, and Article 19, of the Paris Convention (1967).
2. Nothing in Parts I to IV of this Agreement shall derogate from existing obligations that Members may have to each other under the Paris Convention, the Berne Convention, the Rome Convention and the Treaty on Intellectual Property in Respect of Integrated Circuits.

**Article 3**

**National Treatment**

1. Each Member shall accord to the nationals of other Members treatment no less favourable than that it accords to its own nationals with regard to the protection of intellectual property, subject to the exceptions already provided in, respectively, the Paris Convention (1967), the Berne Convention (1971), the Rome Convention or the Treaty on Intellectual Property in Respect of Integrated Circuits. In respect of performers, producers of phonograms and broadcasting organizations, this obligation only applies in respect of the rights provided under this Agreement. Any Member availing itself of the possibilities provided in Article 6 of the Berne Convention (1971) or paragraph 1(b) of Article 16 of the Rome Convention shall make a notification as foreseen in those provisions to the Council for TRIPS.
2. Members may avail themselves of the exceptions permitted under paragraph 1 in relation to judicial and administrative proce-

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3. For the purposes of Articles 3 and 4, "protection" shall include matters affecting the availability, acquisition, scope, maintenance and enforcement of intellectual property rights as well as those matters affecting the use of intellectual property rights specifically addressed in this Agreement.

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dures, including the designation of an address for service or the appointment of an agent within the jurisdiction of a Member, only where such exceptions are necessary to secure compliance with laws and regulations which are not inconsistent with the provisions of this Agreement and where such practices are not applied in a manner which would constitute a disguised restriction on trade.

Article 4
Most-Favoured-Nation Treatment

With regard to the protection of intellectual property, any advantage, favour, privilege or immunity granted by a Member to the nationals of any other country shall be accorded immediately and unconditionally to the nationals of all other Members. Exempted from this obligation are any advantage, favour, privilege or immunity accorded by a Member:

(a) deriving from international agreements on judicial assistance or law enforcement of a general nature and not particularly confined to the protection of intellectual property;

(b) granted in accordance with the provisions of the Berne Convention (1971) or the Rome Convention authorizing that the treatment accorded be a function not of national treatment but of the treatment accorded in another country;

(c) in respect of the rights of performers, producers of phonograms and broadcasting organizations not provided under this Agreement;

(d) deriving from international agreements related to the protection of intellectual property which entered into force prior to the entry into force of the WTO Agreement, provided that such agreements are notified to the Council for TRIPS and do not constitute an arbitrary or unjustifiable discrimination against nationals of other Members.

Article 5
Multilateral Agreements on Acquisition or Maintenance of Protection

The obligations under Articles 3 and 4 do not apply to procedures provided in multilateral agreements concluded under the aus-
pices of WIPO relating to the acquisition or maintenance of intellectual property rights.

Article 6
Exhaustion

For the purposes of dispute settlement under this Agreement, subject to the provisions of Articles 3 and 4 nothing in this Agreement shall be used to address the issue of the exhaustion of intellectual property rights.

Article 7
Objectives

The protection and enforcement of intellectual property rights should contribute to the promotion of technological innovation and to the transfer and dissemination of technology, to the mutual advantage of producers and users of technological knowledge and in a manner conducive to social and economic welfare, and to a balance of rights and obligations.

Article 8
Principles

1. Members may, in formulating or amending their laws and regulations, adopt measures necessary to protect public health and nutrition, and to promote the public interest in sectors of vital importance to their socio-economic and technological development, provided that such measures are consistent with the provisions of this Agreement.

2. Appropriate measures, provided that they are consistent with the provisions of this Agreement, may be needed to prevent the abuse of intellectual property rights by right holders or the resort to practices which unreasonably restrain trade or adversely affect the international transfer of technology.
PART II
STANDARDS CONCERNING THE AVAILABILITY, SCOPE
AND USE OF INTELLECTUAL PROPERTY RIGHTS

Section 1: Copyright and Related Rights

Article 9
Relation to the Berne Convention

1. Members shall comply with Articles 1 through 21 of the Berne Convention (1971) and the Appendix thereto. However, Members shall not have rights or obligations under this Agreement in respect of the rights conferred under Article 6bis of that Convention or of the rights derived therefrom.
2. Copyright protection shall extend to expressions and not to ideas, procedures, methods of operation or mathematical concepts as such.

Article 10
Computer Programs and Compilations of Data

1. Computer programs, whether in source or object code, shall be protected as literary works under the Berne Convention (1971).
2. Compilations of data or other material, whether in machine readable or other form, which by reason of the selection or arrangement of their contents constitute intellectual creations shall be protected as such. Such protection, which shall not extend to the data or material itself, shall be without prejudice to any copyright subsisting in the data or material itself.

Article 11
Rental Rights

In respect of at least computer programs and cinematographic works, a Member shall provide authors and their successors in title the right to authorize or to prohibit the commercial rental to the public of originals or copies of their copyright works. A Member shall be excepted from this obligation in respect of cinematographic works unless such rental has led to widespread copying of such works which is materially impairing the exclusive right of reproduction conferred in that Member on authors and their successors in title. In respect of computer programs, this obligation does not apply to rentals where the program itself is not the essential object of the rental.
Article 12

Term of Protection

Whenever the term of protection of a work, other than a photographic work or a work of applied art, is calculated on a basis other than the life of a natural person, such term shall be no less than 50 years from the end of the calendar year of authorized publication, or, failing such authorized publication within 50 years from the making of the work, 50 years from the end of the calendar year of making.

Article 13

Limitations and Exceptions

Members shall confine limitations or exceptions to exclusive rights to certain special cases which do not conflict with a normal exploitation of the work and do not unreasonably prejudice the legitimate interests of the right holder.

Article 14

Protection of Performers, Producers of Phonograms (Sound Recordings) and Broadcasting Organizations

1. In respect of a fixation of their performance on a phonogram, performers shall have the possibility of preventing the following acts when undertaken without their authorization: the fixation of their unfixed performance and the reproduction of such fixation. Performers shall also have the possibility of preventing the following acts when undertaken without their authorization: the broadcasting by wireless means and the communication to the public of their live performance.

2. Producers of phonograms shall enjoy the right to authorize or prohibit the direct or indirect reproduction of their phonograms.

3. Broadcasting organizations shall have the right to prohibit the following acts when undertaken without their authorization: the fixation, the reproduction of fixations, and the rebroadcasting by wireless means of broadcasts, as well as the communication to the public of television broadcasts of the same. Where Members do not grant such rights to broadcasting organizations, they shall provide owners of copyright in the subject matter of broadcasts with the possibility of preventing the above acts, subject to the provisions of the Berne Convention (1971).
4. The provisions of Article 11 in respect of computer programs shall apply *mutatis mutandis* to producers of phonograms and any other right holders in phonograms as determined in a Member's law. If on 15 April 1994 a Member has in force a system of equitable remuneration of right holders in respect of the rental of phonograms, it may maintain such system provided that the commercial rental of phonograms is not giving rise to the material impairment of the exclusive rights of reproduction of right holders.

5. The term of the protection available under this Agreement to performers and producers of phonograms shall last at least until the end of a period of 50 years computed from the end of the calendar year in which the fixation was made or the performance took place. The term of protection granted pursuant to paragraph 3 shall last for at least 20 years from the end of the calendar year in which the broadcast took place.

6. Any Member may, in relation to the rights conferred under paragraphs 1, 2 and 3, provide for conditions, limitations, exceptions and reservations to the extent permitted by the Rome Convention. However, the provisions of Article 18 of the Berne Convention (1971) shall also apply, *mutatis mutandis*, to the rights of performers and producers of phonograms in phonograms.

Section 2: Trademarks

*Article 15*

*Protectable Subject Matter*

1. Any sign, or any combination of signs, capable of distinguishing the goods or services of one undertaking from those of other undertakings, shall be capable of constituting a trademark. Such signs, in particular words including personal names, letters, numerals, figurative elements and combinations of colours as well as any combination of such signs, shall be eligible for registration as trademarks. Where signs are not inherently capable of distinguishing the relevant goods or services, Members may make registrability depend on distinctiveness acquired through use. Members may require, as a condition of registration, that signs be visually perceptible.

2. Paragraph 1 shall not be understood to prevent a Member from denying registration of a trademark on other grounds, provided that they do not derogate from the provisions of the Paris Convention (1967).

3. Members may make registrability depend on use. However, actual use of a trademark shall not be a condition for filing an application for registration. An application shall not be refused solely on
the ground that intended use has not taken place before the expiry of a period of three years from the date of application.

4. The nature of the goods or services to which a trademark is to be applied shall in no case form an obstacle to registration of the trademark.

5. Members shall publish each trademark either before it is registered or promptly after it is registered and shall afford a reasonable opportunity for petitions to cancel the registration. In addition, Members may afford an opportunity for the registration of a trademark to be opposed.

**Article 16**

*Rights Conferred*

1. The owner of a registered trademark shall have the exclusive right to prevent all third parties not having the owner's consent from using in the course of trade identical or similar signs for goods or services which are identical or similar to those in respect of which the trademark is registered where such use would result in a likelihood of confusion. In case of the use of an identical sign for identical goods or services, a likelihood of confusion shall be presumed. The rights described above shall not prejudice any existing prior rights, nor shall they affect the possibility of Members making rights available on the basis of use.

2. Article 6bis of the Paris Convention (1967) shall apply, *mutatis mutandis*, to services. 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.

3. Article 6bis of the Paris Convention (1967) shall apply, *mutatis mutandis*, to goods or services which are not similar to those in respect of which a trademark is registered, provided that use of that trademark in relation to those goods or services would indicate a connection between those goods or services and the owner of the registered trademark and provided that the interests of the owner of the registered trademark are likely to be damaged by such use.

**Article 17**

*Exceptions*

Members may provide limited exceptions to the rights conferred by a trademark, such as fair use of descriptive terms, pro-
vided that such exceptions take account of the legitimate interests of the owner of the trademark and of third parties.

Article 18
Term of Protection

Initial registration, and each renewal of registration, of a trade-
mark shall be for a term of no less than seven years. The regis-
tration of a trademark shall be renewable indefinitely.

Article 19
Requirement of Use

1. If use is required to maintain a registration, the registration
may be cancelled only after an uninterrupted period of at least
three years of non-use, unless valid reasons based on the existence
of obstacles to such use are shown by the trademark owner. Cir-
cumstances arising independently of the will of the owner of the
trademark which constitute an obstacle to the use of the trademark,
such as import restrictions on or other government requirements
for goods or services protected by the trademark, shall be recog-
nized as valid reasons for non-use.

2. When subject to the control of its owner, use of a trademark by
another person shall be recognized as use of the trademark for the
purpose of maintaining the registration.

Article 20
Other Requirements

The use of a trademark in the course of trade shall not be un-
justifiably encumbered by special requirements, such as use with
another trademark, use in a special form or use in a manner detri-
mental to its capability to distinguish the goods or services of one
undertaking from those of other undertakings. This will not pre-
clude a requirement prescribing the use of the trademark identify-
ing the undertaking producing the goods or services along with, but
without linking it to, the trademark distinguishing the specific goods
or services in question of that undertaking.

Article 21
Licensing and Assignment

Members may determine conditions on the licensing and as-
signment of trademarks, it being understood that the compulsory
licensing of trademarks shall not be permitted and that the owner
of a registered trademark shall have the right to assign the trade-
mark with or without the transfer of the business to which the
trademark belongs.

Section 3: Geographical Indications

Article 22

Protection of Geographical Indications

1. Geographical indications are, for the purposes of this Agree-
ment, indications which identify a good as originating in the terri-
tory of a Member, or a region or locality in that territory, where a
given quality, reputation or other characteristic of the good is es-
sentially attributable to its geographical origin.
2. In respect of geographical indications, Members shall provide
the legal means for interested parties to prevent:

   (a) the use of any means in the designation or presentation of
       a good that indicates or suggests that the good in question
       originates in a geographical area other than the true place
       of origin in a manner which misleads the public as to the
       geographical origin of the good;

   (b) any use which constitutes an act of unfair competition
       within the meaning of Article 10bis of the Paris Conven-
       tion (1967).

3. A Member shall, ex officio if its legislation so permits or at the
   request of an interested party, refuse or invalidate the registra-
tion of a trademark which contains or consists of a geographical indica-
tion with respect to goods not originating in the territory indicated,
if use of the indication in the trademark for such goods in that
Member is of such a nature as to mislead the public as to the true
place of origin.
4. The protection under paragraphs 1, 2 and 3 shall be applicable
   against a geographical indication which, although literally true as to
   the territory, region or locality in which the goods originate, falsely
   represents to the public that the goods originate in another
territory.

Article 23

Additional Protection for Geographical Indications
for Wines and Spirits

1. Each Member shall provide the legal means for interested par-
ties to prevent use of a geographical indication identifying wines for
wines not originating in the place indicated by the geographical in-
dication in question or identifying spirits for spirits not originating in the place indicated by the geographical indication in question, even where the true origin of the goods is indicated or the geographical indication is used in translation or accompanied by expressions such as “kind”, “type”, “style”, “imitation” or the like. 4

2. The registration of a trademark for wines which contains or consists of a geographical indication identifying wines or for spirits which contains or consists of a geographical indication identifying spirits shall be refused or invalidated, *ex officio* if a Member’s legislation so permits or at the request of an interested party, with respect to such wines or spirits not having this origin.

3. In the case of homonymous geographical indications for wines, protection shall be accorded to each indication, subject to the provisions of paragraph 4 of Article 22. Each Member shall determine the practical conditions under which the homonymous indications in question will be differentiated from each other, taking into account the need to ensure equitable treatment of the producers concerned and that consumers are not misled.

4. In order to facilitate the protection of geographical indications for wines, negotiations shall be undertaken in the Council for TRIPS concerning the establishment of a multilateral system of notification and registration of geographical indications for wines eligible for protection in those Members participating in the system.

*Article 24*

*International Negotiations; Exceptions*

1. Members agree to enter into negotiations aimed at increasing the protection of individual geographical indications under Article 23. The provisions of paragraphs 4 through 8 below shall not be used by a Member to refuse to conduct negotiations or to conclude bilateral or multilateral agreements. In the context of such negotiations, Members shall be willing to consider the continued applicability of these provisions to individual geographical indications whose use was the subject of such negotiations.

2. The Council for TRIPS shall keep under review the application of the provisions of this Section; the first such review shall take place within two years of the entry into force of the WTO Agreement. Any matter affecting the compliance with the obligations under these provisions may be drawn to the attention of the Coun-

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4. Notwithstanding the first sentence of Article 42, Members may, with respect to these obligations, instead provide for enforcement by administrative action.
cil, which, at the request of a Member, shall consult with any Mem-
ber or Members in respect of such matter in respect of which it has
not been possible to find a satisfactory solution through bilateral or
plurilateral consultations between the Members concerned. The
Council shall take such action as may be agreed to facilitate the
operation and further the objectives of this Section.
3. In implementing this Section, a Member shall not diminish the
protection of geographical indications that existed in that Member
immediately prior to the date of entry into force of the WTO
Agreement.
4. Nothing in this Section shall require a Member to prevent con-
tinued and similar use of a particular geographical indication of an-
other Member identifying wines or spirits in connection with goods
or services by any of its nationals or domiciliaries who have used
that geographical indication in a continuous manner with regard to
the same or related goods or services in the territory of that Mem-
ber either (a) for at least 10 years preceding 15 April 1994 or (b) in
good faith preceding that date.
5. Where a trademark has been applied for or registered in good
faith, or where rights to a trademark have been acquired through
use in good faith either:
   (a) before the date of application of these provisions in that
       Member as defined in Part VI; or
   (b) before the geographical indication is protected in its
country of origin;
measures adopted to implement this Section shall not prejudice eli-
gibility for or the validity of the registration of a trademark, or the
right to use a trademark, on the basis that such a trademark is iden-
tical with, or similar to, a geographical indication.
6. Nothing in this Section shall require a Member to apply its pro-
visions in respect of a geographical indication of any other Member
with respect to goods or services for which the relevant indication is
identical with the term customary in common language as the com-
mon name for such goods or services in the territory of that Mem-
ber. Nothing in this Section shall require a Member to apply its
provisions in respect of a geographical indication of any other Mem-
ber with respect to products of the vine for which the relevant
indication is identical with the customary name of a grape variety
existing in the territory of that Member as of the date of entry into
force of the WTO Agreement.
7. A Member may provide that any request made under this Sec-
tion in connection with the use or registration of a trademark must
be presented within five years after the adverse use of the protected indication has become generally known in that Member or after the date of registration of the trademark in that Member provided that the trademark has been published by that date, if such date is earlier than the date on which the adverse use became generally known in that Member, provided that the geographical indication is not used or registered in bad faith.

8. The provisions of this Section shall in no way prejudice the right of any person to use, in the course of trade, that person’s name or the name of that person’s predecessor in business, except where such name is used in such a manner as to mislead the public.

9. There shall be no obligation under this Agreement to protect geographical indications which are not or cease to be protected in their country of origin, or which have fallen into disuse in that country.

Section 4: Industrial Designs

Article 25
Requirements for Protection

1. Members shall provide for the protection of independently created industrial designs that are new or original. Members may provide that designs are not new or original if they do not significantly differ from known designs or combinations of known design features. Members may provide that such protection shall not extend to designs dictated essentially by technical or functional considerations.

2. Each Member shall ensure that requirements for securing protection for textile designs, in particular in regard to any cost, examination or publication, do not unreasonably impair the opportunity to seek and obtain such protection. Members shall be free to meet this obligation through industrial design law or through copyright law.

Article 26
Protection

1. The owner of a protected industrial design shall have the right to prevent third parties not having the owner’s consent from making, selling or importing articles bearing or embodying a design which is a copy, or substantially a copy, of the protected design, when such acts are undertaken for commercial purposes.

2. Members may provide limited exceptions to the protection of industrial designs, provided that such exceptions do not unreasona-
bly conflict with the normal exploitation of protected industrial designs and do not unreasonably prejudice the legitimate interests of the owner of the protected design, taking account of the legitimate interests of third parties.
3. The duration of protection available shall amount to at least 10 years.

Section 5: Patents

Article 27
Patentable Subject Matter

1. Subject to the provisions of paragraphs 2 and 3, patents shall be available for any inventions, whether products or processes, in all fields of technology, provided that they are new, involve an inventive step and are capable of industrial application. Subject to paragraph 4 of Article 65, paragraph 8 of Article 70 and paragraph 3 of this Article, patents shall be available and patent rights enjoyable without discrimination as to the place of invention, the field of technology and whether products are imported or locally produced.

2. Members may exclude from patentability inventions, the prevention within their territory of the commercial exploitation of which is necessary to protect ordre public or morality, including to protect human, animal or plant life or health or to avoid serious prejudice to the environment, provided that such exclusion is not made merely because the exploitation is prohibited by their law.

3. Members may also exclude from patentability:

(a) diagnostic, therapeutic and surgical methods for the treatment of humans or animals;

(b) plants and animals other than micro-organisms, and essentially biological processes for the production of plants or animals other than non-biological and microbiological processes. However, Members shall provide for the protection of plant varieties either by patents or by an effective sui generis system or by any combination thereof. The provisions of this subparagraph shall be reviewed four years after the date of entry into force of the WTO Agreement.

5. For the purposes of this Article, the terms "inventive step" and "capable of industrial application" may be deemed by a Member to be synonymous with the terms "non-obvious" and "useful" respectively.
Article 28
Rights Conferred

1. A patent shall confer on its owner the following exclusive rights:
   (a) where the subject matter of a patent is a product, to prevent third parties not having the owner’s consent from the acts of: making, using, offering for sale, selling, or importing\(^6\) for these purposes that product;
   (b) where the subject matter of a patent is a process, to prevent third parties not having the owner’s consent from the act of using the process, and from the acts of: using, offering for sale, selling, or importing for these purposes at least the product obtained directly by that process.

2. Patent owners shall also have the right to assign, or transfer by succession, the patent and to conclude licensing contracts.

Article 29
Conditions on Patent Applicants

1. Members shall require that an applicant for a patent shall disclose the invention in a manner sufficiently clear and complete for the invention to be carried out by a person skilled in the art and may require the applicant to indicate the best mode for carrying out the invention known to the inventor at the filing date or, where priority is claimed, at the priority date of the application.

2. Members may require an applicant for a patent to provide information concerning the applicant’s corresponding foreign applications and grants.

Article 30
Exceptions to Rights Conferred

Members may provide limited exceptions to the exclusive rights conferred by a patent, provided that such exceptions do not unreasonably conflict with a normal exploitation of the patent and do not unreasonably prejudice the legitimate interests of the patent owner, taking account of the legitimate interests of third parties.

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\(^6\) This right, like all other rights conferred under this Agreement in respect of the use, sale, importation or other distribution of goods, is subject to the provisions of Article 6.
Article 31
Other Use Without Authorization of the Right Holder

Where the law of a Member allows for other use7 of the subject matter of a patent without the authorization of the right holder, including use by the government or third parties authorized by the government, the following provisions shall be respected:

(a) authorization of such use shall be considered on its individual merits;

(b) such use may only be permitted if, prior to such use, the proposed user has made efforts to obtain authorization from the right holder on reasonable commercial terms and conditions and that such efforts have not been successful within a reasonable period of time. This requirement may be waived by a Member in the case of a national emergency or other circumstances of extreme urgency or in cases of public non-commercial use. In situations of national emergency or other circumstances of extreme urgency, the right holder shall, nevertheless, be notified as soon as reasonably practicable. In the case of public non-commercial use, where the government or contractor, without making a patent search, knows or has demonstrable grounds to know that a valid patent is or will be used by or for the government, the right holder shall be informed promptly;

(c) the scope and duration of such use shall be limited to the purpose for which it was authorized, and in the case of semi-conductor technology shall only be for public non-commercial use or to remedy a practice determined after judicial or administrative process to be anti-competitive;

(d) such use shall be non-exclusive;

(e) such use shall be non-assignable, except with that part of the enterprise or goodwill which enjoys such use;

(f) any such use shall be authorized predominantly for the supply of the domestic market of the Member authorizing such use;

7. “Other use” refers to use other than that allowed under Article 30.
(g) authorization for such use shall be liable, subject to adequate protection of the legitimate interests of the persons so authorized, to be terminated if and when the circumstances which led to it cease to exist and are unlikely to recur. The competent authority shall have the authority to review, upon motivated request, the continued existence of these circumstances;

(h) the right holder shall be paid adequate remuneration in the circumstances of each case, taking into account the economic value of the authorization;

(i) the legal validity of any decision relating to the authorization of such use shall be subject to judicial review or other independent review by a distinct higher authority in that Member;

(j) any decision relating to the remuneration provided in respect of such use shall be subject to judicial review or other independent review by a distinct higher authority in that Member;

(k) Members are not obliged to apply the conditions set forth in subparagraphs (b) and (f) where such use is permitted to remedy a practice determined after judicial or administrative process to be anti-competitive. The need to correct anti-competitive practices may be taken into account in determining the amount of remuneration in such cases. Competent authorities shall have the authority to refuse termination of authorization if and when the conditions which led to such authorization are likely to recur;

(l) where such use is authorized to permit the exploitation of a patent ("the second patent") which cannot be exploited without infringing another patent ("the first patent"), the following additional conditions shall apply:

(i) the invention claimed in the second patent shall involve an important technical advance of considerable economic significance in relation to the invention claimed in the first patent;

(ii) the owner of the first patent shall be entitled to a cross-license on reasonable terms to use the invention claimed in the second patent; and
(iii) the use authorized in respect of the first patent shall be non-assignable except with the assignment of the second patent.

Article 32
Revocation/Forfeiture

An opportunity for judicial review of any decision to revoke or forfeit a patent shall be available.

Article 33
Term of Protection

The term of protection available shall not end before the expiration of a period of twenty years counted from the filing date.8

Article 34
Process Patents: Burden of Proof

1. For the purposes of civil proceedings in respect of the infringement of the rights of the owner referred to in paragraph 1(b) of Article 28, if the subject matter of a patent is a process for obtaining a product, the judicial authorities shall have the authority to order the defendant to prove that the process to obtain an identical product is different from the patented process. Therefore, Members shall provide, in at least one of the following circumstances, that any identical product when produced without the consent of the patent owner shall, in the absence of proof to the contrary, be deemed to have been obtained by the patented process:
   (a) if the product obtained by the patented process is new;
   (b) if there is a substantial likelihood that the identical product was made by the process and the owner of the patent has been unable through reasonable efforts to determine the process actually used.

2. Any Member shall be free to provide that the burden of proof indicated in paragraph 1 shall be on the alleged infringer only if the condition referred to in subparagraph (a) is fulfilled or only if the condition referred to in subparagraph (b) is fulfilled.

3. In the adduction of proof to the contrary, the legitimate interests of defendants in protecting their manufacturing and business secrets shall be taken into account.

8. It is understood that those Members which do not have a system of original grant may provide that the term of protection shall be computed from the filing date in the system of original grant.
Section 6: Layout-Designs (Topographies) of Integrated Circuits

Article 35
Relation to the IPIC Treaty

Members agree to provide protection to the layout-designs (topographies) of integrated circuits (referred to in this Agreement as "layout-designs") in accordance with Articles 2 through 7 (other than paragraph 3 of Article 6), Article 12 and paragraph 3 of Article 16 of the Treaty on Intellectual Property in Respect of Integrated Circuits and, in addition, to comply with the following provisions.

Article 36
Scope of the Protection

Subject to the provisions of paragraph 1 of Article 37, Members shall consider unlawful the following acts if performed without the authorization of the right holder: importing, selling, or otherwise distributing for commercial purposes a protected layout-design, an integrated circuit in which a protected layout-design is incorporated, or an article incorporating such an integrated circuit only in so far as it continues to contain an unlawfully reproduced layout-design.

Article 37
Acts Not Requiring the Authorization of the Right Holder

1. Notwithstanding Article 36, no Member shall consider unlawful the performance of any of the acts referred to in that Article in respect of an integrated circuit incorporating an unlawfully reproduced layout-design or any article incorporating such an integrated circuit where the person performing or ordering such acts did not know and had no reasonable ground to know, when acquiring the integrated circuit or article incorporating such an integrated circuit, that it incorporated an unlawfully reproduced layout-design. Members shall provide that, after the time that such person has received sufficient notice that the layout-design was unlawfully reproduced, that person may perform any of the acts with respect to the stock on hand or ordered before such time, but shall be liable to pay to the right holder a sum equivalent to a reasonable royalty such as

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9. The term "right holder" in this Section shall be understood as having the same meaning as the term "holder of the right" in the IPIC Treaty.
would be payable under a freely negotiated license in respect of such a layout-design.
2. The conditions set out in subparagraphs (a) through (k) of Article 31 shall apply mutatis mutandis in the event of any non-voluntary licensing of a layout-design or of its use by or for the government without the authorization of the right holder.

Article 38
Term of Protection

1. In Members requiring registration as a condition of protection, the term of protection of layout-designs shall not end before the expiration of a period of 10 years counted from the date of filing an application for registration or from the first commercial exploitation wherever in the world it occurs.
2. In Members not requiring registration as a condition for protection, layout-designs shall be protected for a term of no less than 10 years from the date of the first commercial exploitation wherever in the world it occurs.
3. Notwithstanding paragraphs 1 and 2, a Member may provide that protection shall lapse 15 years after the creation of the layout-design.

Section 7: Protection of Undisclosed Information

Article 39

1. In the course of ensuring effective protection against unfair competition as provided in Article 10bis of the Paris Convention (1967), Members shall protect undisclosed information in accordance with paragraph 2 and data submitted to governments or governmental agencies in accordance with paragraph 3.
2. Natural and legal persons shall have the possibility of preventing information lawfully within their control from being disclosed to, acquired by, or used by others without their consent in a manner contrary to honest commercial practices\(^10\) so long as such information:

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\(^10\) For the purpose of this provision, "a manner contrary to honest commercial practices" shall mean at least practices such as breach of contract, breach of confidence and inducement to breach, and includes the acquisition of undisclosed information by third parties who knew, or were grossly negligent in failing to know, that such practices were involved in the acquisition.
(a) is secret in the sense that it is not, as a body or in the precise configuration and assembly of its components, generally known among or readily accessible to persons within the circles that normally deal with the kind of information in question;

(b) has commercial value because it is secret; and

(c) has been subject to reasonable steps under the circumstances, by the person lawfully in control of the information, to keep it secret.

3. Members, when requiring, as a condition of approving the marketing of pharmaceutical or of agricultural chemical products which utilize new chemical entities, the submission of undisclosed test or other data, the origination of which involves a considerable effort, shall protect such data against unfair commercial use. In addition, Members shall protect such data against disclosure, except where necessary to protect the public, or unless steps are taken to ensure that the data are protected against unfair commercial use.

Section 8: Control of Anti-Competitive Practices in Contractual Licences

Article 40

1. Members agree that some licensing practices or conditions pertaining to intellectual property rights which restrain competition may have adverse effects on trade and may impede the transfer and dissemination of technology.

2. Nothing in this Agreement shall prevent Members from specifying in their legislation licensing practices or conditions that may in particular cases constitute an abuse of intellectual property rights having an adverse effect on competition in the relevant market. As provided above, a Member may adopt, consistently with the other provisions of this Agreement, appropriate measures to prevent or control such practices, which may include for example exclusive grantback conditions, conditions preventing challenges to validity and coercive package licensing, in the light of the relevant laws and regulations of that Member.

3. Each Member shall enter, upon request, into consultations with any other Member which has cause to believe that an intellectual property right owner that is a national or domiciliary of the Member to which the request for consultations has been addressed is undertaking practices in violation of the requesting Member's laws and regulations on the subject matter of this Section, and which
wishes to secure compliance with such legislation, without prejudice
to any action under the law and to the full freedom of an ultimate
decision of either Member. The Member addressed shall accord
full and sympathetic consideration to, and shall afford adequate op-
portunity for, consultations with the requesting Member, and shall
cooperate through supply of publicly available non-confidential in-
formation of relevance to the matter in question and of other infor-
mation available to the Member, subject to domestic law and to the
conclusion of mutually satisfactory agreements concerning the safe-
guarding of its confidentiality by the requesting Member.
4. A Member whose nationals or domiciliaries are subject to pro-
cedings in another Member concerning alleged violation of that
other Member's laws and regulations on the subject matter of this
Section shall, upon request, be granted an opportunity for consult-
tations by the other Member under the same conditions as those fore-
seen in paragraph 3.

PART III
ENFORCEMENT OF INTELLECTUAL PROPERTY
RIGHTS

Section 1: General Obligations

Article 41

1. Members shall ensure that enforcement procedures as specified
in this Part are available under their law so as to permit effective
action against any act of infringement of intellectual property rights
covered by this Agreement, including expeditious remedies to pre-
vent infringements and remedies which constitute a deterrent to
further infringements. These procedures shall be applied in such a
manner as to avoid the creation of barriers to legitimate trade and
to provide for safeguards against their abuse.
2. Procedures concerning the enforcement of intellectual property
rights shall be fair and equitable. They shall not be unnecessarily
complicated or costly, or entail unreasonable time-limits or unwar-
ranted delays.
3. Decisions on the merits of a case shall preferably be in writing
and reasoned. They shall be made available at least to the parties
to the proceeding without undue delay. Decisions on the merits of
a case shall be based only on evidence in respect of which parties
were offered the opportunity to be heard.
4. Parties to a proceeding shall have an opportunity for review by
a judicial authority of final administrative decisions and, subject to
jurisdictional provisions in a Member's law concerning the importance of a case, of at least the legal aspects of initial judicial decisions on the merits of a case. However, there shall be no obligation to provide an opportunity for review of acquittals in criminal cases.

5. It is understood that this Part does not create any obligation to put in place a judicial system for the enforcement of intellectual property rights distinct from that for the enforcement of law in general, nor does it affect the capacity of Members to enforce their law in general. Nothing in this Part creates any obligation with respect to the distribution of resources as between enforcement of intellectual property rights and the enforcement of law in general.

Section 2: Civil and Administrative Procedures and Remedies

Article 42
Fair and Equitable Procedures

Members shall make available to right holders civil judicial procedures concerning the enforcement of any intellectual property right covered by this Agreement. Defendants shall have the right to written notice which is timely and contains sufficient detail, including the basis of the claims. Parties shall be allowed to be represented by independent legal counsel, and procedures shall not impose overly burdensome requirements concerning mandatory personal appearances. All parties to such procedures shall be duly entitled to substantiate their claims and to present all relevant evidence. The procedure shall provide a means to identify and protect confidential information, unless this would be contrary to existing constitutional requirements.

Article 43
Evidence

1. The judicial authorities shall have the authority, where a party has presented reasonably available evidence sufficient to support its claims and has specified evidence relevant to substantiation of its claims which lies in the control of the opposing party, to order that this evidence be produced by the opposing party, subject in appropriate cases to conditions which ensure the protection of confidential information.

2. In cases in which a party to a proceeding voluntarily and without good reason refuses access to, or otherwise does not provide

11. For the purpose of this Part, the term "right holder" includes federations and associations having legal standing to assert such rights.
necessary information within a reasonable period, or significantly impedes a procedure relating to an enforcement action, a Member may accord judicial authorities the authority to make preliminary and final determinations, affirmative or negative, on the basis of the information presented to them, including the complaint or the allegation presented by the party adversely affected by the denial of access to information, subject to providing the parties an opportunity to be heard on the allegations or evidence.

Article 44
Injunctions

1. The judicial authorities shall have the authority to order a party to desist from an infringement, *inter alia* to prevent the entry into the channels of commerce in their jurisdiction of imported goods that involve the infringement of an intellectual property right, immediately after customs clearance of such goods. Members are not obliged to accord such authority in respect of protected subject matter acquired or ordered by a person prior to knowing or having reasonable grounds to know that dealing in such subject matter would entail the infringement of an intellectual property right.

2. Notwithstanding the other provisions of this Part and provided that the provisions of Part II specifically addressing use by governments, or by third parties authorized by a government, without the authorization of the right holder are complied with, Members may limit the remedies available against such use to payment of remuneration in accordance with subparagraph (h) of Article 31. In other cases, the remedies under this Part shall apply or, where these remedies are inconsistent with a Member's law, declaratory judgments and adequate compensation shall be available.

Article 45
Damages

1. The judicial authorities shall have the authority to order the infringer to pay the right holder damages adequate to compensate for the injury the right holder has suffered because of an infringement of that person's intellectual property right by an infringer who knowingly, or with reasonable grounds to know, engaged in infringing activity.

2. The judicial authorities shall also have the authority to order the infringer to pay the right holder expenses, which may include appropriate attorney's fees. In appropriate cases, Members may authorize the judicial authorities to order recovery of profits and/or
payment of pre-established damages even where the infringer did not knowingly, or with reasonable grounds to know, engage in infringing activity.

**Article 46**

*Other Remedies*

In order to create an effective deterrent to infringement, the judicial authorities shall have the authority to order that goods that they have found to be infringing be, without compensation of any sort, disposed of outside the channels of commerce in such a manner as to avoid any harm caused to the right holder, or, unless this would be contrary to existing constitutional requirements, destroyed. The judicial authorities shall also have the authority to order that materials and implements the predominant use of which has been in the creation of the infringing goods be, without compensation of any sort, disposed of outside the channels of commerce in such a manner as to minimize the risks of further infringements. In considering such requests, the need for proportionality between the seriousness of the infringement and the remedies ordered as well as the interests of third parties shall be taken into account. In regard to counterfeit trademark goods, the simple removal of the trademark unlawfully affixed shall not be sufficient, other than in exceptional cases, to permit release of the goods into the channels of commerce.

**Article 47**

*Right of Information*

Members may provide that the judicial authorities shall have the authority, unless this would be out of proportion to the seriousness of the infringement, to order the infringer to inform the right holder of the identity of third persons involved in the production and distribution of the infringing goods or services and of their channels of distribution.

**Article 48**

*Indemnification of the Defendant*

1. The judicial authorities shall have the authority to order a party at whose request measures were taken and who has abused enforcement procedures to provide to a party wrongfully enjoined or restrained adequate compensation for the injury suffered because of such abuse. The judicial authorities shall also have the authority to
order the applicant to pay the defendant expenses, which may include appropriate attorney's fees.

2. In respect of the administration of any law pertaining to the protection or enforcement of intellectual property rights, Members shall only exempt both public authorities and officials from liability to appropriate remedial measures where actions are taken or intended in good faith in the course of the administration of that law.

Article 49

Administrative Procedures

To the extent that any civil remedy can be ordered as a result of administrative procedures on the merits of a case, such procedures shall conform to principles equivalent in substance to those set forth in this Section.

Section 3: Provisional Measures

Article 50

1. The judicial authorities shall have the authority to order prompt and effective provisional measures:
   (a) to prevent an infringement of any intellectual property right from occurring, and in particular to prevent the entry into the channels of commerce in their jurisdiction of goods, including imported goods immediately after customs clearance;
   (b) to preserve relevant evidence in regard to the alleged infringement.

2. The judicial authorities shall have the authority to adopt provisional measures inaudita altera parte where appropriate, in particular where any delay is likely to cause irreparable harm to the right holder, or where there is a demonstrable risk of evidence being destroyed.

3. The judicial authorities shall have the authority to require the applicant to provide any reasonably available evidence in order to satisfy themselves with a sufficient degree of certainty that the applicant is the right holder and that the applicant’s right is being infringed or that such infringement is imminent, and to order the applicant to provide a security or equivalent assurance sufficient to protect the defendant and to prevent abuse.

4. Where provisional measures have been adopted inaudita altera parte, the parties affected shall be given notice, without delay after the execution of the measures at the latest. A review, including a
right to be heard, shall take place upon request of the defendant with a view to deciding, within a reasonable period after the notification of the measures, whether these measures shall be modified, revoked or confirmed.

5. The applicant may be required to supply other information necessary for the identification of the goods concerned by the authority that will execute the provisional measures.

6. Without prejudice to paragraph 4, provisional measures taken on the basis of paragraphs 1 and 2 shall, upon request by the defendant, be revoked or otherwise cease to have effect, if proceedings leading to a decision on the merits of the case are not initiated within a reasonable period, to be determined by the judicial authority ordering the measures where a Member’s law so permits or, in the absence of such a determination, not to exceed 20 working days or 31 calendar days, whichever is the longer.

7. Where the provisional measures are revoked or where they lapse due to any act or omission by the applicant, or where it is subsequently found that there has been no infringement or threat of infringement of an intellectual property right, the judicial authorities shall have the authority to order the applicant, upon request of the defendant, to provide the defendant appropriate compensation for any injury caused by these measures.

8. To the extent that any provisional measure can be ordered as a result of administrative procedures, such procedures shall conform to principles equivalent in substance to those set forth in this Section.

Section 4: Special Requirements Related To Border Measures

Article 51
Suspension of Release by Customs Authorities

Members shall, in conformity with the provisions set out below, adopt procedures\textsuperscript{13}\textsuperscript{3} to enable a right holder, who has valid grounds for suspecting that the importation of counterfeit trademark or pirated copyright goods\textsuperscript{14}\textsuperscript{4} may take place, to lodge an application in writing with competent authorities, administrative or

\textsuperscript{12} Where a Member has dismantled substantially all controls over movement of goods across its border with another Member with which it forms part of a customs union, it shall not be required to apply the provisions of this Section at that border.

\textsuperscript{13} It is understood that there shall be no obligation to apply such procedures to imports of goods put on the market in another country by or with the consent of the right holder, or to goods in transit.

\textsuperscript{14} For the purposes of this Agreement:
judicial, for the suspension by the customs authorities of the release into free circulation of such goods. Members may enable such an application to be made in respect of goods which involve other infringements of intellectual property rights, provided that the requirements of this Section are met. Members may enable such an application to be made in respect of goods which involve other infringements of intellectual property rights, provided that the requirements of this Section are met. Members may also provide for corresponding procedures concerning the suspension by the customs authorities of the release of infringing goods destined for exportation from their territories.

Article 52
Application

Any right holder initiating the procedures under Article 51 shall be required to provide adequate evidence to satisfy the competent authorities that, under the laws of the country of importation, there is prima facie an infringement of the right holder's intellectual property right and to supply a sufficiently detailed description of the goods to make them readily recognizable by the customs authorities. The competent authorities shall inform the applicant within a reasonable period whether they have accepted the application and, where determined by the competent authorities, the period for which the customs authorities will take action.

Article 53
Security or Equivalent Assurance

1. The competent authorities shall have the authority to require an applicant to provide a security or equivalent assurance sufficient to protect the defendant and the competent authorities and to prevent abuse. Such security or equivalent assurance shall not unreasonably deter recourse to these procedures.

(a) "counterfeit trademark goods" shall mean any goods, including packaging, bearing without authorization a trademark which is identical to the trademark validly registered in respect of such goods, or which cannot be distinguished in its essential aspects from such a trademark, and which thereby infringes the rights of the owner of the trademark in question under the law of the country of importation;

(b) "pirated copyright goods" shall mean any goods which are copies made without the consent of the right holder or person duly authorized by the right holder in the country of production and which are made directly or indirectly from an article where the making of that copy would have constituted an infringement of a copyright or a related right under the law of the country of importation.
2. Where pursuant to an application under this Section the release of goods involving industrial designs, patents, layout-designs or undisclosed information into free circulation has been suspended by customs authorities on the basis of a decision other than by a judicial or other independent authority, and the period provided for in Article 55 has expired without the granting of provisional relief by the duly empowered authority, and provided that all other conditions for importation have been complied with, the owner, importer, or consignee of such goods shall be entitled to their release on the posting of a security in an amount sufficient to protect the right holder for any infringement. Payment of such security shall not prejudice any other remedy available to the right holder, it being understood that the security shall be released if the right holder fails to pursue the right of action within a reasonable period of time.

Article 54
Notice of Suspension

The importer and the applicant shall be promptly notified of the suspension of the release of goods according to Article 51.

Article 55
Duration of Suspension

If, within a period not exceeding 10 working days after the applicant has been served notice of the suspension, the customs authorities have not been informed that proceedings leading to a decision on the merits of the case have been initiated by a party other than the defendant, or that the duly empowered authority has taken provisional measures prolonging the suspension of the release of the goods, the goods shall be released, provided that all other conditions for importation or exportation have been complied with; in appropriate cases, this time-limit may be extended by another 10 working days. If proceedings leading to a decision on the merits of the case have been initiated, a review, including a right to be heard, shall take place upon request of the defendant with a view to deciding, within a reasonable period, whether these measures shall be modified, revoked or confirmed. Notwithstanding the above, where the suspension of the release of goods is carried out or continued in accordance with a provisional judicial measure, the provisions of paragraph 6 of Article 50 shall apply.
Article 56
Indemnification of the Importer
and of the Owner of the Goods

Relevant authorities shall have the authority to order the applicant to pay the importer, the consignee and the owner of the goods appropriate compensation for any injury caused to them through the wrongful detention of goods or through the detention of goods released pursuant to Article 55.

Article 57
Right of Inspection and Information

Without prejudice to the protection of confidential information, Members shall provide the competent authorities the authority to give the right holder sufficient opportunity to have any goods detained by the customs authorities inspected in order to substantiate the right holder's claims. The competent authorities shall also have authority to give the importer an equivalent opportunity to have any such goods inspected. Where a positive determination has been made on the merits of a case, Members may provide the competent authorities the authority to inform the right holder of the names and addresses of the consignor, the importer and the consignee and of the quantity of the goods in question.

Article 58
Ex Officio Action

Where Members require competent authorities to act upon their own initiative and to suspend the release of goods in respect of which they have acquired prima facie evidence that an intellectual property right is being infringed:

(a) the competent authorities may at any time seek from the right holder any information that may assist them to exercise these powers;

(b) the importer and the right holder shall be promptly notified of the suspension. Where the importer has lodged an appeal against the suspension with the competent authorities, the suspension shall be subject to the conditions, mutatis mutandis, set out at Article 55;

(c) Members shall only exempt both public authorities and officials from liability to appropriate remedial measures where actions are taken or intended in good faith.
Article 59
Remedies

Without prejudice to other rights of action open to the right holder and subject to the right of the defendant to seek review by a judicial authority, competent authorities shall have the authority to order the destruction or disposal of infringing goods in accordance with the principles set out in Article 46. In regard to counterfeit trademark goods, the authorities shall not allow the re-exportation of the infringing goods in an unaltered state or subject them to a different customs procedure, other than in exceptional circumstances.

Article 60
De Minimis Imports

Members may exclude from the application of the above provisions small quantities of goods of a non-commercial nature contained in traveler’s personal luggage or sent in small consignments.

Section 5: Criminal Procedures

Article 61

Members shall provide for criminal procedures and penalties to be applied at least in cases of willful trademark counterfeiting or copyright piracy on a commercial scale. Remedies available shall include imprisonment and/or monetary fines sufficient to provide a deterrent, consistently with the level of penalties applied for crimes of a corresponding gravity. In appropriate cases, remedies available shall also include the seizure, forfeiture and destruction of the infringing goods and of any materials and implements the predominant use of which has been in the commission of the offence. Members may provide for criminal procedures and penalties to be applied in other cases of infringement of intellectual property rights, in particular where they are committed willfully and on a commercial scale.

PART IV
ACQUISITION AND MAINTENANCE OF INTELLECTUAL PROPERTY RIGHTS AND RELATED INTER-PARTES PROCEDURES

Article 62

1. Members may require, as a condition of the acquisition or maintenance of the intellectual property rights provided for under
Sections 2 through 6 of Part II, compliance with reasonable procedures and formalities. Such procedures and formalities shall be consistent with the provisions of this Agreement.

2. Where the acquisition of an intellectual property right is subject to the right being granted or registered, Members shall ensure that the procedures for grant or registration, subject to compliance with the substantive conditions for acquisition of the right, permit the granting or registration of the right within a reasonable period of time so as to avoid unwarranted curtailment of the period of protection.

3. Article 4 of the Paris Convention (1967) shall apply *mutatis mutandis* to service marks.

4. Procedures concerning the acquisition or maintenance of intellectual property rights and, where a Member’s law provides for such procedures, administrative revocation and *inter partes* procedures such as opposition, revocation and cancellation, shall be governed by the general principles set out in paragraphs 2 and 3 of Article 41.

5. Final administrative decisions in any of the procedures referred to under paragraph 4 shall be subject to review by a judicial or quasi-judicial authority. However, there shall be no obligation to provide an opportunity for such review of decisions in cases of unsuccessful opposition or administrative revocation, provided that the grounds for such procedures can be the subject of invalidation procedures.

**PART V**

**DISPUTE PREVENTION AND SETTLEMENT**

**Article 63**

*Transparency*

1. Laws and regulations, and final judicial decisions and administrative rulings of general application, made effective by a Member pertaining to the subject matter of this Agreement (the availability, scope, acquisition, enforcement and prevention of the abuse of intellectual property rights) shall be published, or where such publication is not practicable made publicly available, in a national language, in such a manner as to enable governments and right holders to become acquainted with them. Agreements concerning the subject matter of this Agreement which are in force between the government or a governmental agency of a Member and the government or a governmental agency of another Member shall also be published.
2. Members shall notify the laws and regulations referred to in paragraph 1 to the Council for TRIPS in order to assist that Council in its review of the operation of this Agreement. The Council shall attempt to minimize the burden on Members in carrying out this obligation and may decide to waive the obligation to notify such laws and regulations directly to the Council if consultations with WIPO on the establishment of a common register containing these laws and regulations are successful. The Council shall also consider in this connection any action required regarding notifications pursuant to the obligations under this Agreement stemming from the provisions of Article 6ter of the Paris Convention (1967).

3. Each Member shall be prepared to supply, in response to a written request from another Member, information of the sort referred to in paragraph 1. A Member, having reason to believe that a specific judicial decision or administrative ruling or bilateral agreement in the area of intellectual property rights affects its rights under this Agreement, may also request in writing to be given access to or be informed in sufficient detail of such specific judicial decisions or administrative rulings or bilateral agreements.

4. Nothing in paragraphs 1, 2 and 3 shall require Members to disclose confidential information which would impede law enforcement or otherwise be contrary to the public interest or would prejudice the legitimate commercial interests of particular enterprises, public or private.

Article 64
Dispute Settlement

1. The provisions of Articles XXII and XXIII of GATT 1994 as elaborated and applied by the Dispute Settlement Understanding shall apply to consultations and the settlement of disputes under this Agreement except as otherwise specifically provided herein.

2. Subparagraphs 1(b) and 1(c) of Article XXIII of GATT 1994 shall not apply to the settlement of disputes under this Agreement for a period of five years from the date of entry into force of the WTO Agreement.

3. During the time period referred to in paragraph 2, the Council for TRIPS shall examine the scope and modalities for complaints of the type provided for under subparagraphs 1(b) and 1(c) of Article XXIII of GATT 1994 made pursuant to this Agreement, and submit its recommendations to the Ministerial Conference for approval. Any decision of the Ministerial Conference to approve such recommendations or to extend the period in paragraph 2 shall be
made only by consensus, and approved recommendations shall be effective for all Members without further formal acceptance process.

PART VI
TRANSITIONAL ARRANGEMENTS

Article 65
Transitional Arrangements

1. Subject to the provisions of paragraphs 2, 3 and 4, no Member shall be obliged to apply the provisions of this Agreement before the expiry of a general period of one year following the date of entry into force of the WTO Agreement.

2. A developing country Member is entitled to delay for a further period of four years the date of application, as defined in paragraph 1, of the provisions of this Agreement other than Articles 3, 4 and 5.

3. Any other Member which is in the process of transformation from a centrally-planned into a market, free-enterprise economy and which is undertaking structural reform of its intellectual property system and facing special problems in the preparation and implementation of intellectual property laws and regulations, may also benefit from a period of delay as foreseen in paragraph 2.

4. To the extent that a developing country Member is obliged by this Agreement to extend product patent protection to areas of technology not so protectable in its territory on the general date of application of this Agreement for that Member, as defined in paragraph 2, it may delay the application of the provisions on product patents of Section 5 of Part II to such areas of technology for an additional period of five years.

5. A Member availing itself of a transitional period under paragraphs 1, 2, 3 or 4 shall ensure that any changes in its laws, regulations and practice made during that period do not result in a lesser degree of consistency with the provisions of this Agreement.

Article 66
Least-Developed Country Members

1. In view of the special needs and requirements of least-developed country Members, their economic, financial and administrative constraints, and their need for flexibility to create a viable technological base, such Members shall not be required to apply the provisions of this Agreement, other than Articles 3, 4 and 5, for a period of 10 years from the date of application as defined under
paragraph 1 of Article 65. The Council for TRIPS shall, upon duly
motivated request by a least-developed country Member, accord
extensions of this period.
2. Developed country Members shall provide incentives to enter-
prises and institutions in their territories for the purpose of promot-
ing and encouraging technology transfer to least-developed country
Members in order to enable them to create a sound and viable tech-
nological base.

Article 67
Technical Cooperation

In order to facilitate the implementation of this Agreement,
developed country Members shall provide, on request and on mutually
agreed terms and conditions, technical and financial coopera-
tion in favour of developing and least-developed country Members.
Such cooperation shall include assistance in the preparation of laws
and regulations on the protection and enforcement of intellectual
property rights as well as on the prevention of their abuse, and shall
include support regarding the establishment or reinforcement of
domestic offices and agencies relevant to these matters, including
the training of personnel.

PART VII
INSTITUTIONAL ARRANGEMENTS; FINAL
PROVISIONS

Article 68
Council for Trade-Related Aspects of
Intellectual Property Rights

The Council for TRIPS shall monitor the operation of this
Agreement and, in particular, Members’ compliance with their obli-
gations hereunder, and shall afford Members the opportunity of
consulting on matters relating to the trade-related aspects of intel-
lectual property rights. It shall carry out such other responsibilities
as assigned to it by the Members, and it shall, in particular, provide
any assistance requested by them in the context of dispute settle-
ment procedures. In carrying out its functions, the Council for
TRIPS may consult with and seek information from any source it
deems appropriate. In consultation with WIPO, the Council shall
seek to establish, within one year of its first meeting, appropriate
arrangements for cooperation with bodies of that Organization.
Article 69
International Cooperation

Members agree to cooperate with each other with a view to eliminating international trade in goods infringing intellectual property rights. For this purpose, they shall establish and notify contact points in their administrations and be ready to exchange information on trade in infringing goods. They shall, in particular, promote the exchange of information and cooperation between customs authorities with regard to trade in counterfeit trademark goods and pirated copyright goods.

Article 70
Protection of Existing Subject Matter

1. This Agreement does not give rise to obligations in respect of acts which occurred before the date of application of the Agreement for the Member in question.
2. Except as otherwise provided for in this Agreement, this Agreement gives rise to obligations in respect of all subject matter existing at the date of application of this Agreement for the Member in question, and which is protected in that Member on the said date, or which meets or comes subsequently to meet the criteria for protection under the terms of this Agreement. In respect of this paragraph and paragraphs 3 and 4, copyright obligations with respect to existing works shall be solely determined under Article 18 of the Berne Convention (1971), and obligations with respect to the rights of producers of phonograms and performers in existing phonograms shall be determined solely under Article 18 of the Berne Convention (1971) as made applicable under paragraph 6 of Article 14 of this Agreement.
3. There shall be no obligation to restore protection to subject matter which on the date of application of this Agreement for the Member in question has fallen into the public domain.
4. In respect of any acts in respect of specific objects embodying protected subject matter which become infringing under the terms of legislation in conformity with this Agreement, and which were commenced, or in respect of which a significant investment was made, before the date of acceptance of the WTO Agreement by that Member, any Member may provide for a limitation of the remedies available to the right holder as to the continued performance of such acts after the date of application of this Agreement for that Member. In such cases the Member shall, however, at least provide for the payment of equitable remuneration.
5. A Member is not obliged to apply the provisions of Article 11 and of paragraph 4 of Article 14 with respect to originals or copies purchased prior to the date of application of this Agreement for that Member.

6. Members shall not be required to apply Article 31, or the requirement in paragraph 1 of Article 27 that patent rights shall be enjoyable without discrimination as to the field of technology, to use without the authorization of the right holder where authorization for such use was granted by the government before the date this Agreement became known.

7. In the case of intellectual property rights for which protection is conditional upon registration, applications for protection which are pending on the date of application of this Agreement for the Member in question shall be permitted to be amended to claim any enhanced protection provided under the provisions of this Agreement. Such amendments shall not include new matter.

8. Where a Member does not make available as of the date of entry into force of the WTO Agreement patent protection for pharmaceutical and agricultural chemical products commensurate with its obligations under Article 27, that Member shall:

   (a) notwithstanding the provisions of Part VI, provide as from the date of entry into force of the WTO Agreement a means by which applications for patents for such inventions can be filed;

   (b) apply to these applications, as of the date of application of this Agreement, the criteria for patentability as laid down in this Agreement as if those criteria were being applied on the date of filing in that Member or, where priority is available and claimed, the priority date of the application; and

   (c) provide patent protection in accordance with this Agreement as from the grant of the patent and for the remainder of the patent term, counted from the filing date in accordance with Article 33 of this Agreement, for those of these applications that meet the criteria for protection referred to in subparagraph (b).

9. Where a product is the subject of a patent application in a Member in accordance with paragraph 8(a), exclusive marketing rights shall be granted, notwithstanding the provisions of Part VI, for a period of five years after obtaining marketing approval in that Member or until a product patent is granted or rejected in that
Member, whichever period is shorter, provided that, subsequent to
the entry into force of the WTO Agreement, a patent application
has been filed and a patent granted for that product in another
Member and marketing approval obtained in such other Member.

Article 71
Review and Amendment

1. The Council for TRIPS shall review the implementation of this
Agreement after the expiration of the transitional period referred
to in paragraph 2 of Article 65. The Council shall, having regard to
the experience gained in its implementation, review it two years af-
fter that date, and at identical intervals thereafter. The Council may
also undertake reviews in the light of any relevant new develop-
ments which might warrant modification or amendment of this
Agreement.

2. Amendments merely serving the purpose of adjusting to higher
levels of protection of intellectual property rights achieved, and in
force, in other multilateral agreements and accepted under those
agreements by all Members of the WTO may be referred to the
Ministerial Conference for action in accordance with paragraph 6 of
Article X of the WTO Agreement on the basis of a consensus pro-
posal from the Council for TRIPS.

Article 72
Reservations

Reservations may not be entered in respect of any of the provi-
sions of this Agreement without the consent of the other Members.

Article 73
Security Exceptions

Nothing in this Agreement shall be construed:

(a) to require a Member to furnish any information the dis-
losure of which it considers contrary to its essential
security interests; or

(b) to prevent a Member from taking any action which it con-
siders necessary for the protection of its essential security
interests;

(i) relating to fissionable materials or the materials
from which they are derived;
(ii) relating to the traffic in arms, ammunition and implements of war and to such traffic in other goods and materials as is carried on directly or indirectly for the purpose of supplying a military establishment;

(iii) taken in time of war or other emergency in international relations; or

(c) to prevent a Member from taking any action in pursuance of its obligations under the United Nations Charter for the maintenance of international peace and security.
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VI. Statutes and Regulations

A. United States


B. Taiwan

Administrative Litigation Law.


Cable Television Law.

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Commodity Labeling Law Implementing Regulation.

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Copyright Law Implementing Regulation.
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