Judicial Practice and Legislative Development of Taiwan's Private International Law of Intellectual Property Rights

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I. Introduction

With the development of high-tech industry and information society, the idea of intellectual property (IP) or IP rights is well acknowledged in Taiwan, while it has not been defined or interpreted in its legislation until the announcement of Act of the Organization of Intellectual Property Office in the Ministry of Economic Affairs in 1998. Under this Act, IP rights cover patent right, right to exclusive use of trademarks, copyright, right on integrated circuit layout, trade secret and other intellectual property rights.[1] The Intellectual Property Court Organization Act of 2007 refers IP rights to "rights and interests arising under the Patent Act, Trademark Act, Copyright Act, Optical Disk Act, Regulations Governing the Protection of Integrated Circuits Configuration, Species of Plants and Seedling Act, or Fair Trade Act."[2] In contrast to the general WIPO interpretation of IP as "creations of the mind: inventions, literary and artistic works, and symbols, names, images, and designs used in commerce",[3] the recent legislations of Taiwan focus their function to meet its domestic need to distribute jurisdiction over cases among different kinds of courts.

As the public and private sectors in Taiwan worked hard in creating domestic

[1] Article 2 Subsection 1 of the Act of the Organization of Intellectual Property Office in the Ministry of Economic Affairs provides: "The Intellectual Property Office under the Ministry of Economic Affairs (hereinafter referred to as "the Office") shall be in charge of the following matters: 1.Matters in connection with research, drafting and execution of policies, laws, regulations, and systems governing patent right, right to exclusive use of trademarks, copyright, integrated circuit layout, trade secret and other intellectual property rights; …….

[2] The Intellectual Property Court Organization Act of 2007 Article 2 provides: "The Intellectual Property Court Act shall govern matters in relation to civil, criminal and administrative actions over intellectual property." Article 3 Subsection 1 provides: "Jurisdiction of the Intellectual Property Court includes the following: 1. First instance and second instance of a civil action for the protection of intellectual property rights and interests arising under the Patent Act, Trademark Act, Copyright Act, Optical Disk Act, Regulations Governing the Protection of Integrated Circuits Configuration, Species of Plants and Seedling Act, or Fair Trade Act. ……"

[3] "Intellectual property is divided into two categories: Industrial property, which includes inventions (patents), trademarks, industrial designs, and geographic indications of source; and Copyright, which includes literary and artistic works such as novels, poems and plays, films, musical works, artistic works such as drawings, paintings, photographs and sculptures, and architectural designs. Rights related to copyright include those of performing artists in their performances, producers of phonograms in their recordings, and those of broadcasters in their radio and television programs." http://www.wipo.int/about-ip/en/ (2010/1/4 visited).

intellectual properties and introducing intellectual properties from abroad in recent decades, the Republic of China (ROC) on Taiwan also committed to sound its domestic legal system for IP rights. It expanded the types and scope of IP protection by promulgating or revising its legislations about the contents and uses of IP rights and the remedies for their infringement. The IP-related disputes before Taiwanese courts are increasingly common and complicated. Their correct decisions base on the judges' sufficient expertise and experiences on related issues. A professional court (Intellectual Property Court) was thus established on July 1, 2008 and the Intellectual Property Case Adjudication Act was promulgated to give it the exclusive jurisdiction over cases related to IP rights.

Based on the nature of the legal relationship for which the parties are contesting before the court, the problems of IP rights can be grouped into the following three categories: (A) Whether an IP right is established by law over a specific IP? This is about the validity of a right which the parties have asserted to exist over such IP. (B) Whom should the IP right belong to, if such right has come into existence? What are the effects of such right? Can such right be transferred or licensed? If yes, what formality and procedure should be followed? (C) If an established intellectual property right is infringed, what remedies can the right holder or victim claim?

The above problems are commonly dealt with in IP legal systems around the world. Taiwan is among the countries that have enriched domestic IP laws. Some international organizations also paid very much attention on the issues of protecting IP rights. As the people of different countries exchange visits frequently and the use of the Internet has lifted some restraints on trade of commodities across national borders nowadays, it happens from time to time that IP rights granted by foreign countries are infringed via the Internet in domestic territory. The cases about IP rights before a domestic court involve constantly some elements of foreign countries (foreign elements). They cannot be correctly decided without applying rules of private international law.

Due to the facts that the provisions of the IP law differ, more or less, from country to country, a domestic court generally encounters the following three levels of private international law issues when it adjudicates IP cases with foreign elements: (A) Whether the domestic court can exercise international jurisdiction over the case? (B) How should the domestic court determine the applicable law for the problems of IP rights in question? (C) What conditions are required for a domestic court to recognize or enforce the foreign court judgments about IP rights? This paper focuses those levels of problems and discusses related issues and solutions on the basis of Taiwan’s legislations and judicial practice. Part one introduces generally the development of Taiwan’s IP law and the problems a domestic faces in cases about IP rights. Part two

focuses on the change and transition of Taiwan's legislative policy on protection of foreigners' IP rights during the recent decades. Part three touches the standard and methodology Taiwan's courts adopted to decide their jurisdiction over international cases about IP rights. Part four discusses respectively the applicable laws for an IP right, the obligations arising from infringement of an IP right and the belonging or licensing problems. Part five addresses Taiwan's legislative policy and judicial practice toward recognizing and enforcing foreign judgments of IP rights. Part Six introduces the latest development of Taiwan's codification of private international law on IP rights and necessary interpretations of its provisions. Part Seven addresses some concluding observations.

II. Foreigners' IP Rights in Taiwan

The ROC government extended its legislations to Taiwan when Taiwan was handed over by the Japanese government in 1945. The IP legislations were originally enacted by the Nationalist government on Chinese Mainland to protect the intellectual property rights of its citizens and foreigners within its territory. They include Copyright Act of 1928, Trademark Act of 1930 and Patent Act of 1944. These legislations provide that those who infringed intellectual property rights of others shall bear civil liability for compensation and be subject to criminal punishment. Cases of infringement of IP rights were reported from time to time in the history of their enforcement. It is the commonly believed that severe criminal sanctions are better choices than civil liabilities to effectively deter the wrongful conduct and protect the IP rights. The rights holders are usually willing to file criminal private prosecutions against the wrongdoers in accordance with the provisions of Taiwan's Code of Criminal Procedure.

A. Foreigners' Right to Initiate a Private Prosecution

1. Basic Rules in Domestic Legislation

In case that an IP right granted by a foreign country is infringed in Taiwan, its holder is usually advocated to file a private prosecution in Taiwan's criminal courts. The following problems are to be substantially considered when a private prosecution is chosen as way to seek protection: 1. Is the right that has been asserted to be infringed recognized in Taiwan? 2. If the right is recognized, whether it is treated as a right established in accordance with foreign law, or as a right established under Taiwan's law? 3. If it is treated as a right established in accordance with foreign law,

is its holder permitted to claim remedies under Taiwan's domestic law? Before answering these substantial problems, the courts are required to consider the procedural requirements of the filing. Among others, the status and capacity of unrecognized foreign companies in the criminal procedure before Taiwan's courts deserves observation.

For a person to initiate a private prosecution, Article 319 Paragraph 1 of Taiwan's Code of Criminal Procedure provides: "The victim of a crime may file a private prosecution, provided that where he is without, or of limited, legal capacity, or is dead, such private prosecution may be filed by his statutory agent, lineal relative, or spouse." This paragraph is interpreted to require the person who initiates the private prosecution to be the victim of crime, and also to be of full capacity to act. In case a foreign IP right is held by a foreign company that has not been recognized by the ROC government on Taiwan, the following question has been contested in Taiwan's courts: Is it capable to initiate a private prosecution under Taiwan's law against the violator?

Foreign companies and other legal persons are all legal entities created by foreign laws. Beyond the territory within which the law of their incorporation can reach, foreign legal persons theoretically do not enjoy their personalities and capability do not exist without the operation that foreign law. Only if they are recognized by the government of the territory within which they claim to exist, their rights can be protected in such territory. This is the reason why Taiwan's Enforcement Act of the Part of General Principles of the Civil Code provides in article 11 that "unless otherwise provided by the Act, the establishment of the foreign legal person shall not be recognized."

For the status and capacity to act of unrecognized foreign legal persons, Article 12 of the above Enforcement Act provides: "Within the limits of the acts and regulations, the foreign legal person which has been recognized has the same legal capacity as the legal person of the ROC of the same kind has." "The duty of obeying the act of Taiwan of the foreign legal person specified in the preceding paragraph is the same as the duty of the legal person of the ROC." According to this provision, a foreign legal person that has not been recognized by the ROC government on Taiwan is not considered to have a legal personality in Taiwan. It is also the prevailing opinion in Taiwan's judicial practice, in accordance with Judicial Yuan's Interpretation No. Yuan-533, that a foreign legal person without the ROC government's recognition does not enjoy the right to private prosecution. Even if their IP rights have been registered in Taiwan, the unrecognized foreign legal persons are still not allowed to initiate private prosecutions against the wrongdoers for their unlawful acts of infringement.

2. Supreme Court Judgment No. Tai-Fei 137 of 1985

Following the above prevailing opinions, IP rights of unrecognized foreign legal persons were hardly, if still, protected in Taiwan. It not only is unreasonable, but also has been continually challenged by the foreign IP rights holders. However, these opinions remained unchanged in the Supreme Court practice until it ruled in Judgment No. Tai-Fei 137 of 1985 that unrecognized foreign legal persons shall exceptionally enjoy the right to initiate a private prosecution under the principle of "supremacy of international treaty over domestic law", and dug a hole in the brick wall preventing them from access to the courts. The judgment based on the premises that infringement of a U.S. company's rights of exclusive use of a trademark was unlawful under Taiwan's Trademark Act. Some relevant provisions were inserted into the Act to reflect Supreme Court's opinions. The unrecognized foreign legal persons thereafter enjoy the right to private prosecution in Taiwan. To observe Taiwan's legal development in this regard, the reasoning of this historic judgment deserves a general introduction.

The history started as a US battery company incorporated under New York state law, initiated a private prosecution against the defendants who infringed its rights of exclusive use of a trademark and violated Taiwan's Trademark Act in Taipei District Court. Its filing was dismissed by the Taipei District Court with a judgment of "Case Not Entertained" on the ground that the initiation was unlawful. It appealed to Taiwan High Court, but a final decision with the following three-level reasoning was announced on January 22, 1983 to maintain the lower court's ruling: (1) Under Article 11 and article 12 of Enforcement Act of the Part of General Principles of the Civil Code, unless otherwise provided by the Act, the establishment of the foreign legal person shall not be recognized; an unrecognized foreign legal person does not have the same legal capacity as a Taiwanese legal person of the same kind has. (2) Since the initiator is a US company that has not been recognized by the ROC government, it is not yet a legal person recognized by Taiwan's domestic law. (3) It is therefore unlawful for it to initiate a private prosecution in name of the company, and the first-instance court's judgment of "Case Not Entertained" shall thereby be maintained.

After the judgment of "Case Not Entertained" was finalized, the attorney general made an "extraordinary appeal" to Supreme Court in accordance with Article 441 of the Code of Criminal Procedure, on the ground that the original judgment was in contravention of the laws and regulations because a relevant international treaty was not correctly applied. Supreme Court reviewed this case thrice and ruled finally in Judgment No. Tai-Fei 137 of 1985, after Judgments No. Tai-Fei 228 of 1983 and No. Tai-Fei 69 of 1984, that the "extraordinary appeal" was meritorious.

In resolving the doubts on conflict between international law and domestic law,

the Supreme Court confirmed in this judgment that the international treaty's supremacy over domestic law was an established principle in Taiwan's IP law. The following arguments and opinions reflected the US's pragmatic altitude in dealings relations with Taiwan due to the uniqueness of Taiwan's status in international arena.

(1) Status of the ROC-US FCN Treaty: The ROC signed the Treaty of Friendship, Commerce and Navigation ("FCN Treaty") with the United States[4] in Nanking on November 4, 1946. It was approved by the Legislative Yuan on the 9th and ratified by the Chairperson of the National Government in the same month. The contracting parties exchanged instruments of ratification in Nanking on November 30, 1948. It entered into force on the same day. It was announced by the President on December 11, 1948 with Order No. Tung-1 242 and published in Presidential Office Gazzette dated December 17, 1948. Although the ROC and the US terminated their diplomatic relations on January 1, 1979, according to the agreement reached between the two countries, the treaties and agreements which were concluded by the parties and still valid on that day, except for those which have been expired on the predetermined date or terminated in accordance with law, should continue to be valid. Such agreement was later set by the United States into Taiwan Relations Act as a part in Article IV (c). Since the ROC-US FCN Treaty has not been terminated since then by the contracting parties pursuant to Article 30 of that Treaty, it should remain in force.[5]

(2) The Conflict between International Treaties and Domestic Law: Under Taiwan's domestic legislations and related opinions in judicial practice, all unrecognized foreign legal persons, including U.S. companies, are of no capability to initiate private prosecutions in the courts of Taiwan. However, Article VI Paragraph 4 of the "FCN Treaty" provides: "The nationals, corporations and associations of either High Contracting Party shall enjoy freedom of access to the courts of justice and to administrative tribunals and agencies in the territories of the other High Contracting Party, in all degrees of jurisdiction established by law, both in pursuit and in defense of their rights; shall be at liberty to choose and employ lawyer, interpreters and representatives in the prosecution and defense of their rights before such courts, tribunals and agencies; ... ..."Since complaint filings and private prosecutions are both adopted in Taiwan's Code of Criminal Procedure, the term "access to courts" provided in the above paragraph should be interpreted to include both of them. The U.S. companies are therefore allowed to exercise or defend their rights under this clause,

[4] Treaty of Friendship, Commerce and Navigation, Nov. 4, 1946, U.S.-Taiwan, 63 Stat. 1299 (1946).

[5] This is also the opinion adopted by the State Department and federal court of the United States. In *New York Chinese TV Programs, Inc. v. U.E. Enterprises, Inc.*, 954 F.2d 847, 852 (2d Cir., 1992), the US federal circuit court recognized the "nationhood" of the Republic of China and the Treaty of Friendship, Commerce And Navigation Between the Republic of China and the United States of America is still "a valid and enforceable treaty" binding upon the United States of America.

and are of full capacity to be a party and to act in litigation as is required by the procedural law. The contents for this part are provided without doubt in the “FCN Treaty”, and this Treaty is obviously a “self-executing” treaty. Therefore, the courts can apply them directly without transforming then into domestic legislations.

(3) The Supremacy of International Treaties over Domestic Laws: An international treaty cannot be concluded unless it has been approved by the legislature, ratified and publicized by the President. The procedure for concluding an international treaty is almost the same as that for enacting a statute, since the procedure of legislation requires also the legislature to review and approve it and the President to publicize and implement it. Therefore, the effects of international treaties and domestic laws shall be equal. International treaties provide particularly specific matters for the contracting States. Under the principle of “*pacta sunt seranda*” in international law, it is well acknowledge by most countries in the world that international treaties are in the essence of *lex specialis*, and are of a superior effect to domestic laws. The ROC Judicial Yuan instructed the former Ministry of Judicial Administration on July 27, 1931 in its Order No. 459: “In principle, when a law is contradictory with an international treaty, the effects of the international treaty shall prevail. There should be of no doubt if the international treaty was ratified after or on the same date of enactment of the law. If it was ratified before the enactment, the situation of their conflict should be clearly reported for requesting determination.” The Supreme Court also ruled in its Precedent No. Shang 1074 of 1931: “The effectiveness of international agreements takes precedence over domestic law.” Since Article VI Paragraph 4 of the “FCN Treaty” is the *lex specialis* to domestic legislations, its effectiveness shall take precedence. Even if the U.S. company has not been recognized within the ROC, it should still be of full capability to file a complaint or initiate a private prosecution.

3. Legislative Revisions of Relevant Statutes

To sum up, an unrecognized US corporation is capable under the FCN Treaty to initiate a private prosecution against the criminal wrongdoer who violates the Trademark Act, but foreign legal persons from a country which does sign a similar treaty with the ROC is not allowed to initiate a private prosecution until its is recognized by the ROC government. In order to grant full protection of foreigners’ right of exclusive use of trademarks that have been duly registered and to protect the unrecognized foreign legal persons with right to access to courts, the following provisions were inserted into Trademark Act as Article 70 when it was revised in November 1985: “A foreign juristic person or entity, which is not limited to those recognized by the Government of the Republic of China, may also file a complaint, initiate a private prosecution, or institute a civil suit with respect to the matters

prescribed in this Act." A similar paragraph was also inserted into Copyright Act when it was revised in July 1985. [6] The paragraph has transformed to exist as the following provisions of Article 102 of Copyright Act: "An unrecognized foreign juristic person may file a complaint or bring a private prosecution against the offenses specified in Articles 91 through Article 93, Article 95 through 96bis."

4. Reciprocity Principle in Domestic Legislations

These provisions in Trademark Act and Copyright Act are *lex specialis* to Article 319 Paragraph 1 of the Code of Criminal Procedure. The Supreme Court thus ruled In Judgment No. Tai-Shang 2774 of 2008 that, unrecognized foreign legal persons are, unless otherwise provided in the *lex specialis*, still not allowed to initiate a private criminal prosecution. Since there is no similar provision in Patent Act, unrecognized foreign legal persons are only allowed to file in Taiwan's courts for actions related to their patents when the requirement of reciprocity principle in Patent Act is met.

For infringement of a foreigner's patent, Taiwan's Supreme Court ruled in its Decision No. Tai-Kang 177 of 2005 that international reciprocity is still required. It expressed the following opinions in the reasoning: "On international basis, there are differences in essence between 'reciprocity in patent application' and 'reciprocity in patent litigation'. They belong to different categories. The former belongs to the problems about whether the competent authority of patents is allowed to accept the application for patent made by foreigners whom are beyond reach of reciprocity principle, whether it will grant patent rights for such application, and what effects such rights will have; the latter concerns about the problems whether the people of two States are allowed to seek resolutions or remedies for their patent rights under law of litigation and procedure in each other's territory. Taiwan adopted the principle of 'reciprocity in patent application'. Article 91 (Article 95 before revision) of Patent Act provides that, an unrecognized foreign legal person or association may institute a civil action in respect of the matters governed by this Act, provided, however, that the nationals or entities of the ROC are entitled to such rights in said foreign country under a treaty or the national legislations, ordinances or customary practices of said foreign country. An agreement on patent protection between a ROC entity or organization and a foreign entity or organization and duly approved by the Competent Authority shall have the same effect. Thus, a civil litigation or filing for provisional attachment initiated by a foreigner is not allowed unless the requirements of Article 91 of Patent Act are met. In this case, the respondent is a foreign legal person that was

[6] Article 17 of Copyrights Act of 1985 was added to protect copyrights of foreigners. Paragraph 3 of it reads: "f the holder of copyright in the preceding paragraph happen to be an unrecognized foreign legal person, it may file a complaint or initiate a private prosecution against the crimes provided in Article 38 to Article 44. However, it is limited to the conditions that the ROC citizens' work is protected with the equal rights under an international treaty or its country's domestic legislation or practice."

recognized by the ROC government. Although it was allowed to acquire the patent rights and enjoy legal protection for them under the principle of 'reciprocity in patent application', however, in light of the explanation mentioned above, the problem about whether it is allowed to initiate a civil litigation or filing for provisional attachment, depends on whether there is a principle of 'reciprocity in patent litigation' between the ROC and the British Cayman Islands."

It is noteworthy that there is also a similar situation in Taiwan's "inter-regional legislation. The people of the "Mainland Area" (Mainland China or Chinese Mainland) are treated other than foreigners in Taiwan, while they are not allowed to enjoy all the rights and freedom as the people of the Taiwan Area enjoy. Under the facts that there are some uncertainties in the relations across the Taiwan Straits, the Act Governing Relations between Peoples of the Taiwan Area and the Mainland Area adopts the principle of reciprocity in litigation about IP. Article 78 of this Act forces the two Areas to face problems of equal protection by the following words: "Any of the people of the Mainland Area whose copyrights or other rights are infringed in the Taiwan Area may file a complaint to a prosecutor or a criminal court of the Taiwan Area to the extent that any of the people of the Taiwan Area may enjoy the same right to file a complaint for the similar matters in the Mainland Area."

B. Representative for Foreign Legal Persons

An unrecognized foreign legal person is in no way to register its legal representative registered in Taiwan. So, even though it is allowed to initiate a private prosecution, the question about who shall be its legal representative in the filing still remains. Taiwan's Supreme Court has explored the issue of applicable law for the question in several reported criminal decisions. For the legal representative of the foreign legal person in question, the Supreme Court has correctly pointed out that Taiwan's Company Act shall not be applied directly to determine whether a person was the right representative of the foreign legal person. Instead, the applicable law of such question shall be decided in accordance with relevant provisions of Taiwan's private international law, i.e., Act on the Application of Laws in Civil Matters Involving Foreign Elements.

For example, dealing with the problems of legal representatives for U.S. companies, Taiwan's Supreme Court stated in Decisions No. Tai-Fei 35 of 1999 and No. Tai-Shang 789 of 2003 the following words: "According to Article VI of the Treaty of Friendship, Commerce and Navigation between the Republic of China and the United States of America, the nationals, legal persons and associations of both the

Republic of China and the United States of America enjoy the freedom of access to courts in the Contracting States. Therefore, the proceedings that the United States entities conducted in Taiwan should be run in accordance with the provisions of Taiwan's procedural law. If a United States company conducted legal proceedings in Taiwan and appointed an agent for that purpose, the problems about legality of such appointment depends on whether the United States company's representative has the power to appoint on its behalf. The problem of whether the appointee could act as an agent to exercise its right of filing complaints involves the above problem. They both are in nature of problems of private law with foreign elements, and should be determined in accordance with their applicable laws. For this reason, in the proceedings that a U.S. company has conducted in Taiwan, the questions about whether the company was legally incorporated, whether it exists with legal personality, and other private-law issues such as whether it has capacity to act, capacity to take responsibility, how it should be organized and what powers should its organs enjoy, should be decided according to the law on companies of the United States or other legal system. It is inappropriate to determine them under the provisions of Taiwan's law on civil matters. Although the responsible person is the only person who can act on behalf of a company under Taiwan's Company Act, the limitation does not apply automatically to determination of persons who have legal power to act on behalf of a US company."

In a case about recognizing and enforcing a UK court judgment on a Taiwanese company's infringement of a right of exclusive use of a trademark owned by a German company which will be discussed later, the problem of representative of the German company was seriously disputed. Taiwan's Supreme Court ruled on this problem in several judgments. In Judgments Tai-Shang 90, Tai-Shang 293 and Tai-Zai 48 of 2009, the Supreme Court clearly pointed out the applicable law to decide the representative of a German company is the German law. "The national law of a foreign company shall govern the decision of the person who can serve as the statutory agent (representative) of such company." Therefore, German law shall be applied to decide the person who can serve as the statutory agent (representative) of a German company. The German law is also applicable to decide the question whether it is within the CEO's power and discretion to appoint other person to perform that job.

C. Taiwan's Legal Scheme for Protecting Foreigner's Copyright

It is worth noting that Taiwan adopted the concept of territoriality of IP rights, so that IP laws of foreign countries cannot operate within Taiwan to protect holders of

foreign IP rights. The only way for the holders of foreign IP rights to have their rights protected in Taiwan is to "transform" their foreign rights into domestic rights. But until 1985, when a legal scheme was established to protect foreigners' copyrights, it was impossible for foreign holders to transform their rights. The changes were taken place by several amendments of the Copyright Act. They reflect Taiwan's attitudes toward foreign IP rights in the different eras. This author surveyed more than 17 Supreme Court's rulings about application of laws of different time and found out some conclusive statements to illustrate the legal transition.

Taiwan's legal scheme of protecting foreigners' IP rights has gone through several amendments since 1985. The most significant changes recently were Taiwan's commitments for accession to the World Trade Organization (WTO) and the direct application of the relevant provisions in the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs) to protect IP rights of foreigners after January 1, 2002. These changes had made the legal scheme more complete and effective to protect foreign IP rights and more harmonious with international legal scheme. During the transitional periods, Taiwan continued to combat infringements of foreign copyrights with criminal penalties against domestic wrongdoers. Taiwan's Supreme Court has dealt in several decisions with infringements of US and Japanese copyrights on computer games software and videotapes created in the transitional times.[7] Since foreign copyrights were subject to different extent of protection in different periods of time, it identified respectively in the decisions the specific legal source that should be applied in each case.

Before July 10, 1985, when some provisions were inserted into Taiwan's Copyright Act as Article 17 for the first time to protect copyrights of foreigners, copyrights of foreigners were absolutely out of protection by Taiwan's Copyright Act. So, unless an international treaty of which Taiwan was a member at that time provided otherwise, the copyright of a foreigner was not protected. Under these provisions, a foreigner's work could enjoy the protection of copyright in Taiwan only if reciprocity existed between Taiwan and the country of which the foreigner has nationality.

The amendment on June 10, 1992 kept the requirement of reciprocity while added principle of supremacy of international treaty to recognize the "international" copyrights that are rooted on international treaty rather than domestic law. An international agreement on copyright between Taiwan and the United States signed through the Conciliation Council of North American Affairs Commission and the

[7] See Supreme Court Criminal Judgments with the following numbers: Tai-Shang 2208 of 2006, Tai-Shang 7039 of 2005, Tai-Shang 2088 of 2005, Tai-Shang 925 of 2005, Tai-Shang 6442 of 2004, Tai-Fei 206 of 2004, Tai-Shang 4349 of 2004, Tai-Shang 5465 of 2003, Tai-Shang 4310 of 2003, Tai-Shang 3351 of 2003, Tai-Shang 2329 of 2003, Tai-Shang 2095 of 2003, Tai-Shang 1516 of 2003, Tai-Shang 1003 of 2003, Tai-Shang 886 of 2003, Tai-Fei 119 of 2003, Tai-Shang 4363 of 2002, Tai-Shang 6909 of 2002, and Tai-Shang 623 of 2002.

American Institute in Taiwan entered into force in Taiwan on July 16, 1993. Under this Agreement, once a work is protected under the US copyright law, it enjoys automatically the copyright protection under Taiwan's Copyright Act.

To prepare for Taiwan's accession to WTO and direct application of international conventions, the following three transitional articles were added when Copyright Act was amended on January 21, 1998.

Article 106- 1: "1. Except as otherwise provided under in this Chapter, this Act shall apply to works that were completed prior to the date on which the World Trade Organization Agreement took effect in the territory under the jurisdiction of the Republic of China where such works did not enjoy copyright under the provisions of the respective versions of this Act but where the term of protection for economic rights has not expired in accordance with this Act; provided, this shall not apply to works of foreign nationals for which the term of protection has expired in their country of origin." "2. The term "country of origin" as used in the proviso of the preceding paragraph shall have the meaning ascribed to the term in Article 5 of the Berne Convention for the Protection of Literary and Artistic Works (Paris Act 1971)."

Article 106- 2: "1. Except as otherwise provided for in this Chapter, a person who began the exploitation of works protected pursuant to the provisions of the preceding article prior to the date on which the World Trade Organization Agreement took effect in the territory under the jurisdiction of the Republic of China, or who made significant investment toward the purpose of such exploitation, may continue to exploit such works during the two-year period which commences on the aforementioned effective date of said Agreement, and the provisions of Chapter VI and Chapter VII of this Act shall not apply." "2. From the implementation of the June 6, 2003 amendment to this Act, the person exploiting a work pursuant to the preceding paragraph, except in circumstances of rental or lending, shall pay to the economic rights holder of the exploited work a reasonable compensation for the exploitation such as would normally be paid for such work through free negotiation." "3. From one year after the date of promulgation of the amendment to this Act, an exploiter shall not further sell unauthorized copies of works protected under the preceding article; provided, it may still rent or lend them." "4. The preceding paragraph does not apply to copies of works that are separately created through exploitation of works protected under the preceding article; provided that, except as set forth in Articles 44 to 65, the economic rights holder of the exploited work shall be paid a reasonable compensation for the exploitation such as would normally be paid for such work through free negotiation."

Article 106- 3: "1. Exploitation of a derivative work may continue beyond the date on which the World Trade Organization Agreement took effect in the territory

under the jurisdiction of the Republic of China, where the preexisting work upon which such derivative work is derived is a work under Article 106bis, where the completion of the derivative work occurred prior to the aforementioned effective date, and where such derivative work was protected under respective versions of this act; the provisions of Chapter VI and Chapter VII of this Act shall not apply." "2. From the implementation of the June 6, 2003 amendment to this Act, the person exploiting the derivative work pursuant to the preceding paragraph shall pay to the economic rights holder of the underlying work a reasonable compensation such as would normally be paid for such work through free negotiation." 3. The provisions of the preceding two paragraphs shall not affect the protection of the derivative work."

After Taiwan's accession to WTO in the name of "Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu" on January 1, 2002, the protection of copyrights of foreigners should comply with the TRIPs. Article 9 Paragraph 1of the TRIPs provides: "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." Under Paragraphs 1 and 2 of Article 3 of the Berne Convention, authors who are nationals of one of the countries of the Union or who have their habitual residence in one of them, shall enjoy the protection of this Convention for their works, whether published or not; other authors shall enjoy the protection of this Convention for their works first published in one of those countries, or simultaneously in a country outside the Union and in a country of the Union. Taiwan's former domestic legal scheme for protecting the copyrights of foreigners is therefore replaced by the international norms.

III. Jurisdiction over IP Rights Cases with Foreign Elements

The Act Governing the Application of Laws in Civil Matters Involving Foreign Elements is the main effective enactment on private international law in Taiwan. It does not address generally on the problems of ROC courts' jurisdiction over international cases. Article 3 Paragraph 1[8] and Article 4 Paragraph 1[9] exceptionally provide the conditions for ROC courts to exercise jurisdiction over the matters to declare guardianship, assistance and death of foreigners. For other types of cases,

[8] Article 3 Paragraph 1: "Whenever an alien has a domicile or residence within the Republic of China (Taiwan) and there is a cause for his/her guardianship under his/her national law as well as the law of the Republic of China (Taiwan), the court may declare his/her guardianship."

[9] Article 4 Paragraph 1: "When an alien who has a domicile or residence within the Republic of China (Taiwan) has disappeared, for the sake of a property situated within the Republic of China (Taiwan) or a legal relation governed by the law of the Republic of China (Taiwan), death of that alien may be declared under the law of the Republic of China (Taiwan)."

there is no clear legislative provision about standards for the ROC courts to exercise international jurisdiction.

It is no doubt that the distribution of jurisdiction between different courts over domestic civil and commercial cases has been well regulated in the Code of Civil Procedure and Code of Non-Litigation Matters. The provisions in such codes rely on the premises that the ROC courts enjoy the power to exercise international jurisdiction over such cases. Since their purposes are to deal with the allocation of jurisdiction among various ROC courts, they cannot be applied directly to determine the jurisdiction among courts of various countries.

Logically speaking, if a particular court in Taiwan is legally empowered to exercise jurisdiction over an international case, it is definite that the international jurisdiction of Taiwan courts as a whole is beyond doubt. Since the special jurisdiction of a particular court of a country over a case lies on the ground that the courts of such country has general jurisdiction over the same case, the above way of thinking is to reverse the order of presumption. It is easy to use “reverse presumption” in deciding the problem of international jurisdiction, but it results out that the process for which it aims is no more necessary. The common and prevailing opinion in Taiwan therefore adopts the idea that in order to fill the loopholes on international jurisdiction in private international law, the provisions about jurisdiction in Code of Civil Procedure and Code of Non-Litigation Matters shall be applied by analogy.

It deserves noting that according to Article 2 and Article 3 of the Intellectual Property Court Organization Act of 2007 and Article 7 of the Intellectual Property Case Adjudication Act of 2007, the Intellectual Property Court enjoy exclusive jurisdiction to adjudicate all cases concerning about IP rights. But such provisions are not appropriate to apply by analogy to determine the issues of international jurisdiction, because the provisions are designed on the basis of nature of cases rather than any connection with a territory. So, even though an international case about IP rights is within the exclusive jurisdiction of the Intellectual Property Court in Taiwan, it is not necessarily that Taiwan’s courts’ jurisdiction can exclude courts of other countries from exercising their jurisdiction over the same case.

There is no express provision on jurisdiction over cases of IP rights in the Code of Civil Procedure, so Taiwan’s courts jurisdiction over international cases on IP rights shall be decided, theoretically, by analogy with the general provisions for jurisdiction *in personam* and subject matter jurisdiction. When Article 1 and Article 2 of the Code of Civil Procedure are applied by analogy to the international jurisdiction *in personam*, as long as the defendant, a natural person, has a domicile or residence in Taiwan or he/she is a ROC citizen located in a foreign nation and enjoys immunity from the jurisdiction of such foreign nation, or the corporate defendants have their

main office or principal place of business within Taiwan, Taiwan's court shall have international jurisdiction over the case.[10] As to the subject matter international jurisdiction, it primarily relies on the provisions for the legal relationships which are the subject matters of the litigations. By analogy to the provisions of Article 15 Paragraph 1 of the Code of Civil Procedure, once the place of infringement locates in Taiwan, Taiwan's courts can exercise international jurisdiction over the international case about such infringement of IP rights.[11]

Before making any judgment on substantial questions, a court has to confirm that the case is within its jurisdiction. However, some Taiwanese courts have been found to exercise jurisdiction over infringements of IP rights without mentioning the grounds.[12] Most court rulings mentioned the court could exercise jurisdiction because the defendant is a national of Taiwan or has a domicile in Taiwan, and the place of infringement locates in Taiwan.[13] The parties to an international litigation on IP rights

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[10] Article 1:
1. A defendant may be sued in the court for the place of the defendant's domicile or, when that court cannot exercise jurisdiction, in the court for the place of defendant's residence. A defendant may also be sued in the court for the place of defendant's residence for a claim arising from transactions or occurrences taking place within the jurisdiction of that court.
2. Where a defendant has no place of domicile in the R.O.C., or where the defendant's place of domicile is unknown, then the defendant's place of residence in the R.O.C. shall be deemed to be the defendant's place of domicile. Where the defendant has no place of residence in the R.O.C. and where the defendant's place of residence is unknown, then the defendant's last place of domicile in the R.O.C. shall be deemed to be the defendant's place of domicile.
3. Where an R.O.C. citizen is located in a foreign nation and enjoys immunity from the jurisdiction of such foreign nation, and when he/she cannot be sued in a court in accordance with the provisions of the two preceding paragraphs, then the place where the central government is located shall be deemed to be the place of domicile of such citizen.
Article 2:
1. A public juridical person may be sued in the court where its principal office is located. A central or local government agency may be sued in the court for the jurisdiction where such office is located.
2. A private juridical person or unincorporated association that has the capacity to be a party to an action may be sued in the court for the location of its principal office or principal place of business.
3. A foreign juridical person or unincorporated association may be sued in the court for the location of its principal office or principal place of business in the R.O.C.

[11] Article 15:
1. In matters relating to torts, an action may be initiated in the court for the location where the tortious act occurred.
2. In matters relating to claims for damages arising from a collision of ships or other accidents at sea, an action may be initiated in the court for the location where the damaged ship first arrived, or where the ship inflicting damages is seized or registered.
3. In matters relating to claims for damages arising from the crash of aircraft or other aviation accidents, an action may be initiated in the court for the location where the damaged aircraft first arrived, or where the aircraft inflicting damages is seized.

[12] For instances, Taichung Branch of Taiwan High Court Judgment No. Zhi-Shang 4 of 2008 (infringement of exclusive right of use of trademark), Taiwan High Court Judgment No. Zhi-Shang 59 of 2005 (infringement of patent right),

[13] This attitude of courts can be illustrated by the following judgments concerning infringements of foreigners' rights of exclusive use of trademarks: Taipei District Court Judgments No. Zhi 40 of 2007, No. Zhi 36 of 2008, No. Zhi 54 of 2008, and No. Zhi 1 of 2009; Shilin District Court Judgments No. Zhi 19 of 2007 and No. Zhi 18 of 2008; Banqiao District Court Judgments No. Zhi 1-36 of 2005, No. Zhi-Zhong 8 of 2006, No. Zhi 39 of 2006, No. Zhi 2 of 2008, No. Zhi 3 of 2008, No. Zhi 10 of 2008; Jiayi District Court Judgment No. Zhi 4 of 2008; Kaohsiung District Court Judgment No. Zhi 21 of

are able to choose the court to adjudicate their case by analogy to Article 24 of the Code of Civil Procedure.[14] The Intellectual Property Court ruled in Judgment No. Ming-Zhuan-Shang 14 of 2008 that although the parties agreed in their licensing contract that their disputes should be subject to the Netherlands courts' jurisdiction, the courts of the Netherlands do not enjoy exclusive jurisdiction unless it was well decided and expressed. The Supreme Court Decision No. Tai-Kang 268 of 2002 was cited to interpret the parties' expression as an agreement on jurisdiction of coexistence or non-exclusiveness with other courts. The original jurisdiction that Taiwan courts could exercise is not affected thereby.

In Supreme Court Decision No. Tai-Kang 165 of 2005, a Japanese company and a Taiwan company agreed in their "contract of development, manufacture and sales" that "all the litigations related to this contract or litigations of disputes incidental to it shall be subject to the exclusive jurisdiction of Osaka District Court in Japan for their first instance trials," and that "Japanese Law is the applicable law for interpretation and shall apply to this contract." The Japanese company sued the Taiwanese company for its infringement of copyrights after the contract was terminated. Taiwan Supreme Court ruled in this case that the problem of jurisdiction should be decided separately, because it may run out of the scope of that contract.

By analogy to Article 25 of the Code of Civil Procedure, if the defendant proceeded to argue the issues of merit without contesting the court's lack of jurisdiction in an international case on IP rights over which Taiwanese courts did not have jurisdiction, Taiwanese courts could thus be led to have international jurisdiction over it.[15] In Taipei District Court Judgment No. Guo-Mao 12 of 1999, a foreign legal person brought the action on the facts that a Taiwanese legal person infringed its patent rights. The Court stated that although the defendant's principal office located within the ROC, however, Taiwanese courts had no international jurisdiction over this case. The defendant did contest that the Court had no jurisdiction over it, but it proceeded to argue the merit and participated in the procedure of oral debate without contesting. The Court ruled that under such circumstances, the ROC Courts shall have their international jurisdiction over this civil matter with foreign elements.

2008; Tauyuan District Court Judgment No. Zhi 110 of 2009.

[14] Article 24:

1. Parties may, by agreement, designate a court of first instance to exercise jurisdiction, provided that such agreement relates to a particular legal relation.
2. The agreement provided in the preceding paragraph shall be evidenced in writing.

[15] Article 25:

A court obtains jurisdiction over an action where the defendant proceeds orally on the merits without contesting lack of jurisdiction.

IV. Applicable Law for Problems about IP Rights

There are several dimensions in private international law of IP rights. The problems regarding IP rights with foreign elements can be grouped into three categories for the purpose of deciding their applicable laws: (1) the existence, effects, duration and other problems regarding an IP right; (2) the obligations arising from the infringement of such IP right; (3) the belonging, transfer or licensing of such IP right. Because of the difference in their nature, it is necessary to decide the applicable laws of these problems respectively.

A. Applicable Law of an IP Right

There is no provision on applicable law of IP rights in Taiwan's current Act on Application of Laws in Civil Matters Involving Foreign Elements. IP rights are rights created under domestic IP law and granted by the particular country which enforces such domestic IP law. The relevant legal systems of IP differ from country to country because every country emphasizes its uniqueness in culture, social needs, technological achievement and economic development. The IP laws inevitably reflect different domestic considerations in balancing their policies of protecting private interests and safeguarding public interests about IP. For the purpose of protecting the domestic industries of a country according to the degree of its development, the creation, recognition, duration and effects of IP rights in the country are subject to stringent control by its domestic law. The connection between an IP right, the law under which it is protected, and the country within which the law is effective is strong and important as such, so it is generally believed that with the inherent nature of territoriality, an IP right can only be protected within the country of which domestic law will protect it.

Based on the theory of territoriality, an IP right is only protected within the boundary of a country which granted such right to the holder under its domestic law. As a result, foreign laws cannot be applied within domestic boundary to protect IP rights; IP rights granted duly by foreign law are not necessarily recognized by the domestic law; a holder of an IP right can only asserts its validity and effects in the country where he/she legally obtained it. If the holder of an IP right would like to have it protected in other country, he/she has to acquire a second right in such other country under its law, because the original right acquired in the first country would not be recognized there. In other words, a single creation of minds obtained by the

same holder is protected with independent and separate IP rights in different countries, even though the different IP rights bear the same name in different countries. Of course, the scope of different IP rights shall be decided respectively and separately. An IP right granted by country A is regulated absolutely by A's domestic law. It is not affected by the operation of country B's law, such as the IP right over the same object is not recognized under B's law, or the IP right under B's law has been subsequently declared invalid or revoked in country B.

Although some international conventions passed by international organizations are increasingly influential to domestic legislations of their member States, it is still true that the domestic laws around the world are not yet unified by such conventions. Under such circumstances, conflicts rules are still essential for the domestic courts in choosing the applicable laws in international cases about IP rights. For the reasons mentioned above, conflicts rules on IP rights rely heavily on the principle of territoriality and the unilateral effects of domestic legislation of IP rights in an individual country. Between the approaches and legislative draft proposed by the American Law Institute[16] and the European Max-Planck-Group on Conflict of Laws in Intellectual Property[17], the *lex protectionis* principle adopted by the latter[18] is considered to be more appropriate and in conformity with the basic ideas of the legal scheme of IP rights in Taiwan.

In Taiwan's judicial practice on international IP rights, the parties argue usually on the question whether or how foreigners may obtain an IP right in Taiwan rather than the question of the applicable law to the occurrence, limitations, duration and disposal of such IP right. Under the *lex protectionis* principle, the occurrence, scope, duration, exercise and disposal shall be decided by the law of the country where the protection is sought. But this principle was not codified into Taiwan's Act of Application of Laws in Civil Matters Involving Foreign Elements. It is this author's opinion that the provision of "the law of the place where that right was formed" in Article 10 Paragraph 2 of the Act shall be applied by analogy to decide the applicable law of an IP right.[19] The applicable law is therefore the law under which the

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[16] American Law Institute, Intellectual Property: Principles Governing Jurisdiction, Choice of Law and Judgment in Transnational Disputes, 2008.

[17] European Max-Planck-Group on Conflict of Laws in Intellectual Property, Principles for Conflict of Laws in Intellectual Property (Second Preliminary Draft, June 6, 2009); available at http://www.ip.mpg.de/shared/data/pdf/draft-clip-principles-06-06-2009.pdf. (2/1/2010 visited)

[18] Article 3:102: (*Lex protectionis*)
The law applicable to existence, validity, scope and duration of an intellectual property right and all other matters concerning the right as such is the law of the State for which protection is sought.

[19] Article 10
1. The rights in rem over a thing shall be governed by the law of the place where the thing is situated.
2. The rights in rem over a right shall be governed by the law of the place where that right was formed.
3. Where the location of a thing has changed, the acquisition or loss of the right in rem over that thing shall be governed by the law of that thing's location when the decisive fact completed.
4. The rights in rem over a ship shall be governed by the law of State which the ship bears its

protection is sought. The sources of this law include all domestic norms about the substance of IP rights and the international treaties to which the country is bound to protect foreigners' IP rights.

B. Applicable Law to Obligations Arising from Infringement of IP Rights

Before determining the applicable law to obligations arising from the infringement of IP rights, the court has to characterize the nature of the legal relationship at issue. Between IP rights and obligations arising from a tortuous act, it is generally accepted in Taiwan that such obligations shall be characterized as the obligations of torts. The conflicts rule for torts shall therefore be applied to decide the law applicable to them.[20] In most international IP rights infringement cases in Taiwan's judicial practice, the foreign victims asserted that their IP rights were infringed in Taiwan. Article 9 Paragraph 1 of Act of Application of Laws in Civil Matters Involving Foreign Elements provides: "The obligations arising from a tortuous act shall be governed by the law of the place where the tortuous act was committed. However, if it is not a tortuous act pursuant to the law of the Republic of China (Taiwan), the law mentioned above shall not be applied." Under this provision, such cases should be determined according to the ROC law, because the ROC (Taiwan) is the country where the place of infringement locates. The most critical problem in those cases is the validity of IP rights in Taiwan. This problem is within the scope of applicability of the ROC law. So the problem of application of laws is not too complicated.

Theoretically, if an IP right granted by foreign law was infringed outside of Taiwan, while the infringer has a domicile, residence or properties in Taiwan, the action of the victim's claim is within the jurisdiction of Taiwan's courts. It is possible for the victim to institute an action in a Taiwan court against the infringer. The court in such case is not required to determine the validity of the IP right in Taiwan, it simply has to decide whether the IP rights in question is validly granted in the place of infringement. Once the act constitutes an infringement according to the law of place of infringement, the infringer shall be liable to the victim under the same law. Even though such IP right is not recognized in Taiwan and the actor is not possible to

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nationality. The rights in rem over a aircraft shall be governed by the law of State in which the aircraft was registered.

[20] Tieh-cheng Liu & Rong-chwan Chen, Private International Law, 4th ed., p. 370 (Taipei: San-ming, 2008).

infringe that “right” in Taiwan, the actor is still liable to the responsibility arising from the tortuous act committed outside of Taiwan. The court has to assume hypothetically that such IP right is recognized in Taiwan at first, then consider under such hypothesis whether it is a tort under the ROC law. The victim’s claim for compensation can only be denied after the court follows the assumption to decide that the act is not a tortious act at all in Taiwan.

C. Applicable Law for IP Rights’ Belonging, Transfer and Licensing

IP rights are usually granted to the person who creates the IP. However, if an employee creates an IP in the performance of contractual duties, there is room for discussing the applicable law to the question to whom such IP shall belong. This is a problem which is not provided in Taiwan’s current Act on Application of Laws in Civil Matters Involving Foreign Elements. In judicial practice, the answer depends on characterizing such problem as an issue of IP rights or an issue of contract of employment. So far as this author is aware, there is no reported case on this issue. Under the systematic structure of Taiwan’s substantive law, such issues are provided in the relevant IP rights legislations such as Article 7 to Article 9 of Patent Act[21] and

[21] Patent Act (2003.02.06 Amended)
Article 7:
1. Where an invention or a utility model or a design is made by an employee in the performance of his/her job duties, the right to apply for patent and the patent right thereof shall be vested in his/her employer, and the employer shall pay the employee a reasonable remuneration, provided that if there is any covenant otherwise provided for in an agreement, such covenant shall prevail.
2. The clause "an invention, or a utility model or a design which is made in the performance of his/her job duties" as set forth in the preceding Paragraph shall mean the invention, utility model or design which is completed by an employee in performing his/her job duties during the period of his/her employment.
3. Where a fund-provider engages another party to conduct research and development, the ownership of the right to apply for patent and the patent right in connection with the outcome of such research and development shall be vested in the party as named by a covenant in the agreement between the two parties concerned, or shall be vested in the inventor or creator in the absence of such a covenant in the agreement provided, however, that the fund-provider shall be entitled to put such invention, utility model or design into practice.
4. In case the ownership of the right to apply for patent and the patent right is vested in the employer or the fund-provider under Paragraph One or the preceding Paragraph under this Article, the inventor or the creator concerned shall be entitled to the right of having his/her name shown as the inventor or the creator.
Article 8:
1. Where an invention, a utility model or a design made by an employee is irrelevant to his/her job duties, the right to apply for patent and the patent right concerned shall be vested in the employee provided, however, that if such invention, utility model or design is made through utilization of the employer's resources or experience, the employer may, after having paid the employee a reasonable remuneration, put the same invention or utility model or design into practice in the enterprise concerned.
2. Upon completion of an invention, a utility model or a design irrelevant to his/her job duties, the employee shall give his/her employer a notice in writing of such event and shall inform his/her

Articles 11 and 12 of Copyright Act.[22] So, it is quite possible for a court to characterize the problem as an issue of IP rights, and to decide the applicable law according to the conflicts rule of IP rights.

It is not doubtful that all the questions about acquirement, creation, loss and alternation of an IP right fall within the scope of the applicable law of such IP right. The requirements, procedures, types, and the effects against the third party are also within the scope. The nature of an IP rights licensing contract or a technical cooperation agreement is basically an obligatory bilateral act, because it only results in obligations between the parties, the IP rights are not directly affected by such contract or agreement. The conflicts rules for obligations arising from obligatory acts in Article 6 of Act on Application of Laws in Civil Matters Involving Foreign Elements are thus governing the court's decision on its applicable law. Such contract or agreement itself is treated separately in conflicts law from its object, i.e. the IP rights. The requirements and effects of such contract or agreement shall be governed by the applicable law to such contract or agreement. The questions about the transferred or licensed IP right, including the requirements and effects of its transfer or licensing are, however, out of reach of the applicable law to the contract or agreement. They are governed by the applicable law of such IP right. This situation is similar to the relationship between an act on rights *in rem* and the obligatory act on

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employer of the process of the creation when necessary.
3. If the employer fails to raise any objection to the employee within six (6) months after his/her receipt of the written notice given by the employee under the preceding Paragraph, he/she shall not claim that such invention, utility model or design is made by the said employee in the performance of his/her job duties.
Article 9:
An agreement concluded between an employer and an employee, by which the employee is precluded from enjoying his/her legitimate rights and interests in respect of his/her invention, utility model or design, shall be void.

[22] Copyright Act (2009.05.13 Amended)
Article 11:
1. Where a work is completed by an employee within the scope of employment, such employee is the author of the work; provided, where an agreement stipulates that the employer is the author, such agreement shall govern.
2. Where the employee is the author of a work pursuant to the provisions of the preceding paragraph, the economic rights to such work shall be enjoyed by the employer; provided, where an agreement stipulates that the economic rights shall be enjoyed by the employee, such agreement shall govern.
3. The term "employee" in the preceding two paragraphs includes civil servants.
Article 12:
1. Where a work is completed by a person under commission, except in the circumstances set out in the preceding article, such commissioned person is the author of the work; provided, where an agreement stipulates that the commissioning party is the author, such agreement shall govern.
2. Where the commissioned person is the author pursuant to the provisions of the preceding paragraph, enjoyment of the economic rights to such work shall be assigned through contractual stipulation to either the commissioning party or the commissioned person. Where no stipulation regarding the enjoyment of economic rights has been made, the economic rights shall be enjoyed by the commissioned person.
3. Where the economic rights are enjoyed by the commissioned person pursuant to the provisions of the preceding paragraph, the commissioning party may exploit the work.

which the former lies. The legal relationships arising from those two acts are also governed by applicable laws decided according to different conflicts rules in private international law.[23]

A significant case about international patent licensing arrangements deserves discussing here. Koninklijke Philips Electronics, N.V. (Philips), Sony Corporation and Daiyo Yuden Co., Ltd. each owns a number of patents relating to CD-R specifications. They adopted a package licensing agreement, whereby Philips bundles the patents licensed by others together with its own for licensing to the CD-R manufacturing companies in the world. One Taiwanese company signed with Philips a "CD-R Disc Patent License Agreement" and a "CD-R Disc Philips Only License Agreement Side Letter" on July 13, 2001. According to their licensing agreement, the Taiwanese company agreed to pay royalties and the bearing interest at the rate of 2 percent per month for the unpaid royalties. They also agreed to subject their disputes to the law of the Netherlands. The Taiwanese company later argued the legality of the interest clause in Taiwan's courts.

Taiwan's Supreme Court ruled in Judgment Tai-Shang 20 of 2006 that the interest clause was partially in contrast with the public order and good morals of Taiwan. Article 25 of the Act on Application of Laws in Civil Matters Involving Foreign Elements provides: "The application of foreign law designated by the present Act shall be excluded if its provision is incompatible with the public order or boni mores of the Republic of China (Taiwan)." The Supreme Court interpreted it correctly to mean that the foreign law may only be excluded to apply if the results of applying it are incompatible with the public order or boni mores of the Republic of China (Taiwan). The explanation of reasons supporting the above conclusion is abstracted briefly in the next paragraph.

Some basic provisions in Taiwan's Civil Code are included in the contents of Taiwan's public order. Article 205 of Civil Code provides: "If the agreed rate of interest exceeds twenty percent (20%) per annum, the creditor shall not be entitled to claim any interest over twenty percent (20%)." The purpose of this article is to protect the debtors from exploitation by high interest rate. Article 233 Paragraph 1 of Civil Code provides that when the object of an obligation which is in default is the payment of money, the creditor may claim interest for the default, which is to be calculated at the statutory rate; but if the agreed rate of interest is higher, this higher rate shall apply. It is established since Supreme Court Judgment Tai-Shang 1547 of 1952 that such agreed rate on interest for the default is subject to the limitation of statutory maximum. According to the parties' agreement in this case, the interest for the default is the

[23] Tieh-cheng Liu & Rong-chwan Chen, Private International Law, 4th ed., p. 370 (Taipei: San-ming, 2008).

lower between 2 percent per month of unpaid amount or the maximum amount permitted by law. Although the interest claimed by Philips is not necessary calculated by 2 percent per month of unpaid amount, the maximum amount permitted by law will prevail when it is lower. Since the agreed interest claimed by Philips under the law of the Netherlands which is the applicable law to the agreements has exceeded the statutory maximum permitted by Taiwan's law (20% per annum), its claim for the interest that has exceeded is difficult to be considered as "not incompatible" with the public order or boni mores of the Republic of China (Taiwan).

V. Recognition and Enforcement of Foreign Court Judgments of IP Rights

Taiwan's Code of Civil Procedure addresses the recognition of a foreign court judgment in Article 402. It reads: "1. A final and binding judgment rendered by a foreign court shall be recognized, except in case of any of the following circumstances: (1) Where the foreign court lacks jurisdiction pursuant to the ROC laws; (2) Where a default judgment is rendered against the losing defendant, except in the case where the notice or summons of the initiation of action had been legally served in a reasonable time in the foreign country or had been served through judicial assistance provided under the ROC laws; (3) Where the performance ordered by such judgment or its litigation procedure is contrary to ROC public policy or good morals; (4) Where there exists no mutual recognition between the foreign country and the ROC." "2. The provision of the preceding paragraph shall apply *mutatis mutandis* to a final and binding ruling rendered by a foreign court." The same standards are adopted in Article 4bis Paragraph 1 of Compulsory Enforcement Act to enforce foreign court judgments. It reads: "An application of compulsory enforcement of a foreign court final judgment may be permitted provided that such judgment did not meet any situation provided in Article 402 (Paragraph 1) and has been declared approval to enforce by a ROC court judgment." Since there is no special provision for recognition and enforcement of a

foreign court judgment on IP rights, the same rules and standards shall be applied to it.

A recent case will be introduced in this and following paragraphs to illustrate the practical application of the above provisions. A famous German company initiated in a court in UK an action for infringement of its right of exclusive use of a trademark, asserting that a Taiwanese company registered and used a mark similar to its protected trademark in similar products. The UK High Court decided for the German company in a final court judgment. When the German company court brought the action for recognizing and enforcing the UK court final judgment, the Taiwanese company contended with many barriers while Taiwan's Supreme Court upheld in Judgment Tai-Zai 46 of 2009 the trial court's judgment approving the enforcement. The following findings and reasons are all upheld: (1) the final judgment has been proved as authentic; (2) the enforcement shall not be denied for the fact that its name is different from that provided in Taiwan's law; (3)the tortuous act was committed in UK, so the UK courts have jurisdiction over this case of infringement; (4) the Taiwanese company was not deprived of its procedural rights; (5) it is not allowed for a Taiwanese court to review the substance of a foreign court judgment. Its effects are not recognized in Taiwan if its results are exceptionally incompatible with the basic rules or concepts of Taiwan's legal order or ethic order. No evidence indicates that the same case has been decided in Taiwan. Even though the attorney's fee granted in such foreign judgment is not allowed to be included in Taiwan, under the principle of international mutual respect, the UK court's final decision is not incompatible with Taiwan's public order or good morals; (6) the UK High Court has recognized the effects of judgments of Kao-Hsiung District Court and the Supreme Court in a decision of 1996, so mutual recognition of each other's final judgments exists between Taiwan and the UK.

Taiwan is among the countries which encountered the problem of recognizing and enforcing the foreign court judgments granting plaintiffs with compensatory damages and punitive damages decided by courts in common law countries. It has been this author's opinion that punitive damages are to some extent recognized in

Taiwan's legislations. Article 51 Consumer Protection Law allows the consumer to claim for punitive damages up to 3 times the amount of actual damages as a result of injuries caused by the willful act of misconduct of business operators. Article 32 Paragraph 1 of Fair Trade Act empowers a court to, taking into consideration of the nature of the infringement, award damages more than actual damages up to 3 times of the amount of damages that is proven. Under such conditions, the foreign court judgments of punitive damages shall, at least in some limited extent, be recognized and enforced in Taiwan to protect the party's interests. The extent for recognition is also suggested to expand in coping with the development of relevant domestic legal system. [24] This opinion has been adopted by the Supreme Court in its Judgment Tai-Shang 835 of 2008. It can be reasonably expected that the same opinion will be adopted when Taiwan's court is asked to recognize and enforce foreign court judgments of IP rights.

VI. New Legislative Development of Taiwan's Private International Law

In order to fill the gap of lacking conflicts provisions in current Act on Application of Laws in Civil Matters Involving Foreign Elements, and to guide Taiwan's courts in deciding applicable law for the IP rights with clear norms, the Judicial Yuan and the Executive Yuan (Cabinet) jointly submitted to the Legislative Yuan (Parliament) a revising draft in January 2009. Article 42 was added into the draft to provide the applicable law for IP rights. It reads: "1. The right over an intellectual property shall be governed by the law of the place where the protection of such right is sought." "2. The belonging of a right over an intellectual property created by an employee in the performance of duties shall be governed by the law applicable to the employment contract."

The reasons underlying Paragraph 1 are very clear expressed in the legislative explanatory comments. "All IP rights, including those that are required to be registered in Taiwan's domestic law such as patent rights and rights of exclusive use of trademarks, and those that are not required to be registered, such as copyrights and

[24] Tieh-cheng Liu & Rong-chwan Chen, Private International Law, 4th ed., p. 629 (Taipei: San-ming, 2008).

rights of trade secret, are created by law. The extent and type of protection of these rights in each country are provided in law of such country, and shall be governed principally by such law. This draft adopted the spirit of such examples as Article 54 of Italian Act on Private International Law of 1995 and Article 110 Paragraph 1 of Swiss Act on Private International Law of 1989 and provided that the establishment and effects of rights over an IP shall be governed by the law under which the rights' claimant asserts that they shall be protected. The types, contents, duration, acquirement, termination and alternation of that right may thus be governed by the same applicable law. It is noteworthy that "the law of the place where the protection of that right is sought" is not necessarily the *lex fori*. If a party asserted that he/she has certain rights protected by the law of a country, the court is required to decide if he/she has such rights under the law of such country. For example, if X asserted that Y infringed X's IP rights in country A while Y contended that X has no such right in country A, the court of Taiwan is required to apply the law of country A rather than Taiwan's law, to decide whether and how X's rights is protected in country A; if X acquired the IP rights according to Taiwan's law, while Y is suspected to have infringed such rights in country A, the court of Taiwan is required to apply the law of country A to decide whether X is entitled to such rights in country A."

Paragraph 2 of the draft provides the applicable law for the problem to whom the rights belong. The legislative explanatory comments also speak for the provisions. "The problem of belonging of the right over an IP created by an employee in the performance of duties is closely connected with the creation or establishment of such IP right, while it also involves the agreements in the employment contract between the parties. This draft adopted the opinion that for the purpose of application of law, the connection between this problem and the employment contract is even closer than that between it and the creation of such IP right. Therefore, it is expressly provided that the law applicable to the employment contract shall govern the belonging of the right over an IP created by an employee in the performance of duties."

It is apparent that the applicable law to the obligations arising from infringement of IP rights has not been dealt with in the draft separately. The drafter considered that the problem shall be characterized as a problem of tort and wanted the court to decide its applicable law under the revised conflicts provisions. It should be noted that the draft adopted a limited version of revolutionary principle of "the most significant relationship." Article 25 of the draft reads: "The obligations arising from a tortuous act shall be governed by the law of the place where the tortuous act was committed. However, if other law is the most closely connected law, they shall be governed by such law." This provision is expected to replace the current Article 9 of the Act on Application of Laws in Civil Matters Involving Foreign Elements very soon, the

results of its application would basically be in conformity with the principle of territoriality as discussed above.

VII. Conclusions

Due to its unique status in international arena, Taiwan's legal system of IP rights developed in a special way. Under the circumstances that Taiwan was excluded from joining the relevant international conventions, it adopted the absolute principle of territoriality, and did not grant protection to foreigners' rights over IP in the early era. As the conditions changed gradually, it adjusted later to mutual protection or reciprocity principle. The foreigners were not protected equally with its citizens until it acceded to WTO on January 1, 2002. Taiwan's judgments of IP rights with foreign elements concern mostly about infringement of IP rights and licensing contracts. The courts' decisions on international jurisdiction and applicable law are fundamentally in conformity with the spirits of private international law and provisions in the Act on Application of Laws in Civil Matters Involving Foreign Elements. Taiwan's courts adopted an open-minded attitude in recognizing and enforcing foreign court judgments. Even the foreign judgments granting punitive damages are recognized in some extent. It can be reasonably expected that once the proposed is passed by the Legislative Yuan, the applicable law of IP rights will be decided by the *lex protectionis* principle, the applicable law of belonging of rights over an IP created in performance of duties by an employee will be switched to be the law applicable to the employment contract. It remains to be watched how the new provisions will be applied and interpreted by Taiwan's courts in the future.