



TIPLO News

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This news mail distributed in Japanese and English from time to time provides updates on the development of law in Taiwan with focus on intellectual property rights law. For more information about the status of intellectual property right protection and practice in Taiwan, please visit our website www.tiplo.com.tw

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Attorneys-at-Law

01 Trendy clothing brand owner sentenced for trademark infringement

Two infringers, Huang and Yan, cooperated to sell private branded products by “reappropriating with parody” well-known trademarks, such as, the LV mark, for which both infringers were apprehended and investigated in 2021. Huang and Yan, however, continued selling such controversial products, which leads to a charge against them both for violation of the Trademark Act of Taiwan in 2023. They affirmatively defended themselves that their act is the “parodistic imitation” of renowned trademarks without confusing or misleading consumers. The Taipei District Court examined this case and determined that Huang and Yan “took a free ride” on these well-known trademarks to gain profits, and sentenced Huang and Yan each to six months and five months in prison, respectively, with the sentence commutable to a fine payment, and the two infringers retain the right to appeal this court decision.

According to the court decision, the infringer Huang is the responsible person of Gansta Creative Design Co., Ltd., and had been engaged in creating new designs based on well-known trademarks of fashion luxury brands, such as, LV, Gucci, Chanel, by adapting them and adding patterns of human figures or dolls and using the adapted trademarks on clothing and luggage items, etc.. He further had these products delivered to the other infringer, Yan, the responsible person of MF production co., for sale under the trendy brand, “MF BY G.C.D.C.” at physical or online stores.

The two infringers’ act alerted Louis Vuitton Malletier (hereinafter “LV company”) and LV company believed that the two infringers’ act constituted infringement upon their trademark right for the LV mark. For asserting their trademark rights, LV company gathered evidence by purchasing products from the MF flagship store and also its online store and then filed a lawsuit against Huang and Yan for alleged trademark infringement and submitted authenticity examination report as evidence. Other trademark proprietors involved in this case, including Burberry Limited, also filed separate lawsuits against the two infringers.

On May 11, 2021, the police seized a total of 2543 pieces of counterfeit products at the business premises jointly run by Huang and Yan and had these seized products passed to the Taiwan IPO for examination and comparison. Subsequently it was determined that the words and the composition of the design as a whole adapted by the two infringers based on well-known fashion trademarks would cause consumers to mistakenly believe that the seized products were from the authorized manufacturer or under licensing or under franchisor-franchisee relation. Also, the aforesaid confusion is more likely to occur especially when the products with adapted design are similar to the relevant genuine products.

Huang and Yan affirmatively argued that the patterns used on their products are “re-creation” of their own and are irrelevant to the eight fashion luxury brands involved in this case. Based on such arguments, the two infringers believed that it is unnecessary for them to first obtain the trademark proprietors’ prior consent, and that their “parody” of these famous fashion trademarks is clearly distinctive and unlikely to cause confusion on the side of the public.

According to the court holding, parody or jokes are heavily tied to language and cultural background, which means that what is funny to one nationality may not necessarily be understood by another. However, whether a trademark may or may not cause consumers confusion about the source of products or services under that trademark is usually and immediately determined at the sight of it. Therefore, a successful “parodistic version of trademarks” should be up to the standard that

consumers are able to “instantly recognize” the humorous, ironic, or critical nature of the parodistic version and clearly distinguish it from the original work.

The court further pointed out that the seized products do not have the aforesaid humorous, ironic, or critical characteristics and carry no cultural contribution or social value that overcomes the necessity of trademark protection. On the contrary, the fact is that for promoting their products, the two infringers took a free ride on the fame of these fashion trademarks and disregarded the brand image built up by these victim companies. Moreover, by so doing, the two infringers confused consumers and impeded fair trading order and further affected Taiwan’s international reputation for IPR protection. In view of the foregoing, the judge sustained the two infringers’ trademark infringement as defined by the Trademark Act of Taiwan and therefore sentenced Huang and Yan each to six-month and five-month imprisonment, both of which sentences may be commutable to a fine payment of TWD180,000 and TWD150,000, respectively. Both sentences are appealable. (Released 2024.03.18)

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02 Former Nanya engineer sentenced to 22 months in prison for trade secrets theft

Lee, a former senior engineer at Nanya Technology Corporation (“Nanya”), Formosa Plastic Group’s DRAM manufacturer, was accused of copying, by taking screenshots, the process technology of Nanya’s 20-nanometer technology on his personal computer for landing a high-paying job at Xian UniC Semiconductors Co., Ltd. in 2016, for which Lee has received a sentence of 22-month imprisonment for the offense as sustained by the Taiwan Supreme Court by upholding the decisions given in the previous court instances that “Lee is found guilty of reproducing, without due authorization, trade secrets for attempted use in China”. The judgment has become final.

Learning that Nanya introduced the know-how of 20-nanometer process technology from Micron Technology Inc. in 2016, Lee took advantage of his participation in the online courses and his free time to copy, print, and study the manufacturing process documents by taking screenshots on his personal computer at the office and further used such information for a job interview with Xian UniC Semiconductors Co., Ltd. in China on January 17, 2017, even though his attempt ended up being unsuccessful. Subsequently, Nanya discovered the unusual high volume of photocopies made by Lee during a routine audit of former employees’ photocopying records and then went into thorough investigation on Lee and unexpectedly found that Lee had printed all of the documents regarding the 20-nanometer process technology. Later Nanya reported this matter to Taoyuan City Field Division of the Ministry of Justice, and this incident was brought to the relevant prosecutors office and Lee was indicted therefor after conclusion of the prosecutorial investigation.

During court trial proceedings, Lee admitted that he took screenshots and downloaded the introduction slides of the 20-nanometer DRAM process technology and printed them, and further had job interviews with Xian UniC Semiconductors Co., Ltd. either in video or in person in China. Lee, however, argued that those slides he copied are not trade secrets and he copied them simply for self-improvement.

Based on the evidence and information gathered, both Taoyuan District Court in the first instance and the Intellectual Property and Commercial Court of Taiwan in the second instance concluded that the documents copied by Lee, including the processing, data, issues, technologies, implementation and key points with respect to

the 20-nanometer DRAM wafer are not easily accessible to individuals who are engaged in the DRAM wafer manufacturing, and these documents have significant impact on production capacity and yield and thus possess substantial economic value. Therefore, the courts sustained that the documents Lee copied constitute Nanya's trade secrets.

According to the court judgments, Lee fully realized that he was not allowed to reproduce Nanya's trade secrets without authorization, but despite of that and for his job interview, he still reproduced the trade secrets which carry substantial economic value and are crucial to the company's survival. Also Lee denied the offense alleged against him, and therefore, the courts sentenced Lee to a jail sentence for 22 months. The Supreme Court affirmed the decisions made by the courts in the first and second instances and dismissed Lee's appeal, making the decisions final with binding force. (Released 2024.03.04)

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03 Taiwan's economy ranked 4th freest in 2024 economic freedom index

The Heritage Foundation, the American conservative think tank, released the "2024 Index of Economic Freedom" on February 26, 2024. In the Foundation's report, Taiwan ranked 4th among the 184 countries assessed, lagging behind only Singapore, Switzerland, and Ireland, in that order, and came in second among the assessed economies of the Asia-Pacific region. As to the other Asian countries, Korea, Japan, and China each finished 14th, 38th, and 151st.

According to the National Development Council of Taiwan, countries around the world have been facing numerous long-term structural challenges posed by the COVID pandemic, inflation, Russia's sustained invasion of Ukraine, the rivalries among the Middle East countries, and other geopolitical tensions. As a result of the foregoing global challenges, the global average score for economic freedom fell to 58.6 from 59.3 in the previous year, marking the lowest level since 2001. Under such a circumstance, Taiwan has still maintained its status as a "free" country (scoring 80 or above) for the third consecutive year and continued to be rated as one of the top scorers with an overall score of 80 even though the score dropped from 80.7 in the 2023 index.

The Council's analysis pointed out that Taiwan was marked as "free" (a score range of 80-100) in 7 out of 12 sub-factors; the 7 sub-factors are "judicial effectiveness" (scoring 94), "government spending" (scoring 90.5), "fiscal health" (scoring 90.3), "trade freedom" (scoring 86.4), "business freedom" (scoring 84.9), "property rights" (scoring 82.2), and "monetary freedom" (scoring 80.1).

Among these sub-factors, Taiwan scored highly in the sub-factor of "judicial effectiveness" from 70.1 in 2020 to 94 in 2024. The over 20 points improvement reflects Taiwan's best performance in this sub-factor for the past four years and also highlights the Taiwan Judicial Yuan's judicial effectiveness reform in recent years that has won international recognition.

Notably, Taiwan had successfully implemented numerous legal reforms, which is fully reflected in Taiwan's high scores in the sub-factors of "trade freedom" (scoring 86.4), "business freedom" (scoring 84.9), and "property rights" (scoring 82.2). Taiwan's high scores in these sub-factors are attributable to, for example, the signing of the first agreement under the "U.S.-Taiwan Initiative on 21st-Century Trade" for U.S.-Taiwan economic and trade cooperation, the amendment to the Taiwan Patent

Act for corresponding to the implementation of drug patent linkage, the amendment to the Taiwan Trademark Act for introducing the acceleration mechanism for trademark applications examination, the amendment to the Commodity Labeling Act for increasing the flexibility of labeling to keep pace with technological developments, and the amendment to Business Mergers and Acquisitions Act for creating a more favorable tax environment for corporate mergers and acquisitions of startups, etc..

In response to this economic freedom survey, the Council emphasized that the Taiwan government will continue remaining attentive to global developments, deal with any crises and turn them into opportunities with innovative technologies, resilient strategies, and the spirit of economic liberalization, create a better investment environment, and promote corporate innovation linkages, so as to enhance the international competitiveness of Taiwan's industries. (Released 2024.02.27)

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