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HIGHLIGHTS

NEWS

AN EU-WIDE PATENT failed to materialize once again in a May 31 meeting of the European Union's Council of Internal Market Ministers, as disputes over language and possible conflicts between national patent offices and the European Patent Office continue to remain obstacles to an agreement. (Page 6)

THE NAMES OF THE DECEASED AND FAMOUS are protected in Japan pursuant to a recent ruling concerning the name of Albert Einstein. John A. Tessensohn and Shusaku Yamamoto, with the Shusaku Yamamoto firm in Osaka, discuss this case. (Page 10)

ATTORNEY ASSOCIATIONS would set compensation rates for freelance authors, pursuant to copyright law amendments adopted by the German Cabinet that are intended to provide adequate compensation for freelancers, particularly when their works are used in more than one medium. (Page 8)

'800-FLOWERS' cannot be registered as a trade mark in the United Kingdom, the Court of Appeal has decided, upholding a lower court's decision. The Court of Appeal also has revisited the rules of appeal in registered design cases. Rebecca Harrison and James Russell, Bird & Bird, London, discuss these decisions. (Page 12)

THE CAFC'S *FESTO* RULING limiting claims of infringement under the doctrine of equivalents is to be reviewed by the U.S. Supreme Court. The Court of Appeals for the Federal Circuit had held that no doctrine of equivalents claims may be made for a patent claim element that was amended during the application process for a reason related to patentability. (Page 17)

THE USE OF 'SPORK' for a combination spoon/fork does not constitute infringing trade mark use, the English Court of Appeal has ruled, according to Huw Evans and Nicola Tatchell, Wragge & Co, Birmingham. (Page 14)

DEVELOPING NATIONS are seeking assurances that the TRIPS Agreement allows them to take public-health measures that may override patent rights. (Page 21)

A STANDARD CONTRACT has been approved by the European Commission for use by companies to ensure they are in compliance with the European Union's data privacy legislation. The contract was adopted over the objections of the United States. (Page 7)

LUXEMBOURG HAS IMPLEMENTED European legislation on copyrights by adopting a new law on copyright, related rights, and databases, according to Stéphan Le Goueff, Luxembourg. (Page 11)

BRAZIL'S NEW PATENT LAW creates a patentability requirement for applications covering pharmaceuticals, statutorily rejects many pending applications that would potentially benefit from articles 70.2 and 70.7 of the TRIPS Agreement, and further limits the patent owner's exclusive rights by creating a regulatory review exception to the patent rights. The firm Momsen, Leonardos & Cia., in Rio de Janeiro, discusses this new law. (Page 3)

DENMARK AND THE UNITED STATES have resolved their dispute in the World Trade Organization concerning the U.S. complaint against Danish juridical proceedings for the protection of intellectual property rights under the TRIPS Agreement. (Page 6)

NEW RULES ON INDUSTRIAL DESIGNS have been implemented in Italy, according to Federico M. Ferrara, Abbatescianni e Associati, Milan and Rome. (Page 9)

COMMENTARY

Patent Enforcement Developments in Romania, by Marius Petroiu, Bucharest, and James Forstner, Arlington, Virginia. (Page 24)

Taiwan Struggles to Combat Optical Media Piracy, by Christopher M. Neumeyer, Esq., Taipei. (Page 26)

European and UK Software and Business Method Patents are in a Holding Pattern, by Ari Laakkonen, Linklaters & Alliance, London. (Page 28)

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In the two actions for damages, the claimant was pleading before the Bucharest Tribunal a motion regarding a judicial accounting survey report on the total amount of the damages. In the patent no. 2009 T case, the Bucharest Tribunal rejected the injunction, and the Court of Appeal affirmed. The claimant has appealed to the Supreme Court, which should decide in a matter of months.

In the patent no. 2012 T case, the injunction has been issued by the Bucharest Tribunal and affirmed by the Court of Appeal. The defendant's appeal is expected to be decided by the Supreme Court within several months.

Conclusions

The strategy of the three claimants was the same:

- the filing of a legal action for damages for the recovery of all existing damages; and
- the filing of an interim injunction order to bar all unauthorized activities of the defendants, until the final settlement of the legal action for damages.

In all cases, the claimant laid the foundation of its requests in accordance with the provisions of Law 93 and Law 64.

All of these legal actions for damages involved the administration of a large quantity of documents, and, given the large number of hearings, none of the cases has been settled yet, before even the first instance court.

The Bucharest Tribunal enforced the interim injunction orders, after their successful admission. This should be considered an important success for the new Romanian Patent regulation, as patents registered abroad may be recognized and enforced in Romania by way of an application filed before OSIM in accordance with the provisions of Law 93.

Future developments to watch for include:

- modification of the Romanian Civil Procedure Regulation, to speed up procedure in cases concerning interim injunction orders[8];
- reduction of the time between the hearings (at present 30 days);
- improvement of the collaboration with the Romanian customs authorities to bar all imports of infringing products[9];
- creation of specialized Intellectual Property Courts Divisions within the three Bucharest courts—the Tribunal, the Appeal Court, and the Supreme Court;
- publication of the Supreme Court Intellectual Property jurisprudence and a better understanding of the new legal system enforced after 1991, in order to avoid different results; and
- encouragement of specialization of young lawyers and judges in the intellectual property field.

8 The Romanian Government, subject to further application starting in June 2001, has adopted a project regarding such modifications.

9 In this respect, Law no. 202 was published in the Romanian Official Gazette no. 588 from November 21, 2000, regarding certain measures for assuring compliance of customs operations with the recognized intellectual property rights.

TAIWAN STRUGGLES TO COMBAT OPTICAL MEDIA PIRACY

By Christopher M. Neumeyer, Esq., Taipei; tel. 886-2-2768-3126; e-mail: chrisneumeyer@hotmail.com

According to the U.S. Trade Representative's Special 301 Report of March 31, 2001, estimated trade losses due to music piracy in Taiwan rose from US$5 million in 1995 to more than $60 million in 2000. Losses from software piracy doubled from $220 million to $446 million. Total losses due to copyright piracy rose from $260 million to $557 million.

So, few were surprised when Taiwan was elevated from the Special 301 Watch List to the Priority Watch List in 2001. In the words of the Report, "Taiwan is now one of the world's worst pirate exporters."

With its entrance into the World Trade Organization on the line, Taiwan's authorities are naturally concerned about such allegations and have stepped up efforts to eliminate all forms of optical media piracy. But, as this article will show, they face challenges from rampant infringement, ineffective legislation, and lax enforcement.

Scope of the Problem

As of February 2001, the Taiwan government identified more than 60 registered and underground optical disc factories in Taiwan, with 307 DVD, VCD, and CD replication lines. Total production capacity of the plants (not including CD-R capacity) was estimated to be 1.854 billion discs per annum, compared to an estimated legitimate domestic demand of just 40 million units, suggesting overwhelming production of counterfeit discs.

Taiwan's government reported that it conducted 1,887 raids for infringing optical media in 2000, resulting in seizures of 163,375 music CDs, 50,865 business software CD-ROMs, and 1,426 CDs containing MP3 piracy. Motion picture representatives reported seizing an additional 40,227 infringing DVDs and 79,587 VCDs. According to the Special 301 Report, while the Taiwan government is proud of these accomplishments, "these seizure statistics indicate that piracy is out of control in Taiwan."

Legislation and Government Directives

In February 1999, Taiwan's Intellectual Property Office (IPO) issued a directive requiring that all optical discs produced in Taiwan bear source identification codes (SIDs) as of July 1, 1999, and authorizing random

factory visits to ensure compliance. However, optical discs with false or missing SID codes are still common, and 10 of the 18 raids on optical disc factories in 2000 revealed pirate DVD or VCD production.

The IPO's 1999 directive also instructed Taiwan authorities to use legal software only. To ensure compliance, the Ministry of Education sent letters in November 1999 and December 2000, asking schools and government bodies to delete pirate software from their computers. The IPO sent a similar letter to Taiwan's Chamber of Commerce in October 2000, urging its member associations to use genuine software only.

In August 2000, the government released for public comment proposed amendments to Taiwan's Copyright Law, designed partly to bring the Law into closer compliance with the new WIPO Internet treaties (the WIPO Copyright Treaty and the WIPO Performances and Phonograms Treaty). The draft amendments include technology protection measures, a "public transmission" right, and a prohibition against removing or altering electronic copyright rights management information.

According to the Special 301 Report, however, those draft provisions fail to meet the requirements of the WCT or WPPT. Other new provisions are condemned for taking "Taiwan away from full compliance with its coming WTO/TRIPS and Berne obligations," such as the provision that grants broad immunity from liability to online service providers whose patrons commit copyright infringement using their facilities.

Taiwan's Cabinet passed a draft Optical Media Management Law in April, which creates a licensing and inspection system for optical media manufacturers, requiring licensees to stamp SID codes on all discs, retain records of customer orders and copyright authorizations, obtain government approval to import manufacturing equipment, and report to the authorities any sale, loan, or lease of such equipment, or face potential fines and imprisonment. The draft Law still must be approved by the Legislature.

Raids and Enforcement

In January 2000, the IPO set up a special task force of 200 police officers to crack down on optical media piracy, but it ceased operations in June 2000 when the new government came into power. The force was reinstated in September 2000 but ceased again in December 2000.

With or without the task force, enforcement of Taiwan's copyright laws is anemic. One senior Taiwan official who requested anonymity said, "the biggest problem with IPR is always on the enforcement side [as] the police have so many things to handle and they are not sure they can handle the specialized IPR issues properly, or whether they have the manpower to do so."

One typically frustrating case involved Digi Gold, a manufacturer with annual production capacity of more than 30 million optical discs. When Customs officials discovered over 120,000 pirated DVDs and VCDs in a container bound for Hong Kong, evidence led to Digi Gold, so police raided its factory in January 2000, resulting in the seizure of 24 stampers and sealing of five replication lines. The company then removed the seals and resumed illegal production. A second raid, in March 2000, led to the seizure of 33 stampers and sealing of more replication lines, and a third raid was conducted in October. According to the Special 301 Report, no infringement charges have been filed in this matter, and the factory manager was charged only with removing the seals (a penalty which carries a maximum fine of approximately US$2,650 or a jail term of no more than one year).

The government has proved equally ineffective at cracking down on night market and street vendor piracy. Not only are such raids too infrequent, but the penalties are too slight to serve as a deterrent. The 746 persons convicted of music piracy in 2000 received total fines of US$49,906, or approximately $66 each. Cumulative jail sentences for all persons convicted of music piracy amounted to 403 months, all of which were suspended. The 10 persons convicted of business software piracy received jail sentences totaling 216 months, all of which were suspended except for three months.

To be fair, one has to mention the case of *Microsoft v. Chung Ti Technology Co.* On May 25, 2000, the Taiwan High Court ordered Chung Ti to pay Microsoft NT$242 million (US$7.12 million)—the largest IP award ever granted in Taiwan—for illegally producing Microsoft products for export to the UK. The case stemmed from a 1996 raid of Chung Ti's warehouse that yielded over 58,000 copies of counterfeit Windows 95 and Office 4.3 software. In a separate criminal case, Chung Ti's owner was sentenced to two years in jail and fined NT$400,000 (US$11,764) for copyright infringement.

MP3 Litigation

According to the Special 301 Report, "MP3 piracy is thriving [in Taiwan], particularly in schools ..." The issue recently made front-page headlines when prosecutors, acting without a search warrant based on an anonymous tip, searched student dorm rooms at National Chengkung University in April, resulting in seizures of 14 computers and the filing of criminal charges against the owners of the computers.

Prosecutors insisted that copyright violations on university campuses are rampant and that the 14 students would be prosecuted to the fullest extent of the law. But many objected to the prosecutors' heavy-handed tactics. Taiwan's Minister of Education, Ovid Tzeng, vowed to defend the students because, "any action of prosecutors and the police should be taken with prudence and kept within limits with respect to academic freedom and the autonomy of universities." He added that "current regulations are hardly sufficient [and] we need to cope with disputes regarding the use of Internet resources with more patience and intelligence."

Minister Tzeng is correct: the Chengkung cases appear to be flawed. Notably, the prosecutor failed to discriminate between mere possession of MP3 files and illegal copying and distribution. Several computers were reportedly seized without the owners being questioned regarding how the files were obtained. As for the legality of unauthorized distribution or downloading of MP3 files, the Chengkung case has just begun, and those questions have not yet been answered in Taiwan.

One prior case that touched on those issues was a private criminal prosecution by a Taiwan record producer/distributor against a web site that offered MP3 downloads for a fee, including files of music whose distribution rights the prosecutor had purchased from a Beijing record company. The web site claimed that it too had purchased distribution rights to the music, from another distributor also named as an accused, and that the distributor claimed it had acquired the rights through an oral agreement with the record company. Although the evidence was implausible, the judge bought it—the accused were acquitted on the grounds that the record company had purportedly consented to the online distribution (Judgment No. 89-Tse-970, February 16, 2001).

While that case is presently on appeal, and the opinion is not binding because it has not been declared "precedential", the court explained, in *dicta,* its view that distribution of music in MP3 format constitutes "reproduction" of a work under Article 3.5 of the Copyright Law. Interestingly, the Special 301 Report disagrees, stating that "Article 3.5 of the Taiwan Copyright Law is unclear as to whether temporary or permanent storage of works in digital form is considered 'reproduction'..." In fact, one of the recommendations of the Report is to revise the definition of "reproduction" so that it clearly includes MP3 distribution and downloading.

Conclusion

Taiwan's authorities must be commended for their efforts thus far. The amendments to the Copyright Law, the draft Optical Media Management Law, and the increased enforcement efforts, however insufficient they all might be, are at least steps in the right direction. The government faces resistance to such changes not just from greedy pirate producers, sellers, and users, but from a culture where traditionally imitation is considered flattery, shrewd business practices are respected, and the notion of exclusive IP rights is foreign. Nonetheless, as Taiwan intends to join the WTO it will continue to make the necessary changes, albeit reluctantly.

The Special 301 Report includes numerous specific recommendations for changes to Taiwan's Copyright Law, including adding a definition of "computer programs"; amending the definition of "reproduction" so it clearly includes storage of digital works; re-writing the draft "technological protection" provision; decreasing the blanket immunity for online service providers whose patrons infringe; adding an exclusive distribution right; adding various criminal penalties and a provision authorizing confiscation of materials used in infringing; and other suggestions.

Perhaps more importantly, in the words of U.S. Trade Representative Robert Zoellick, "enforcement must remain a key priority." The Special 301 Report suggests that a permanent enforcement body must be established and various agencies must initiate concerted and coordinated efforts, including immediately commencing raids on unauthorized optical media plants and night markets, striving to combat organized criminal activities, and enhancing efforts to crack down on cross-border trade in pirated products. While such tasks are easier said than done, they should serve as useful guidelines in Taiwan's battle against optical media piracy.

EUROPEAN AND UK SOFTWARE AND BUSINESS METHOD PATENTS ARE IN A HOLDING PATTERN

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The UK Patent Office (UKPO) published the results of its consultation on the patentability of software and business methods patents on 12 March 2001.[1] This followed the publication by the European Commission of replies to its consultation on the same subject[2] in December 2000. Both consultations were concluded after proposed amendments to the European Patent Convention (EPC) to redefine the extent of patent protection for software and business methods were considered, and rejected, by a Diplomatic Conference in November 2000.

Obviously there might have been advantages in carrying out the consultations prior to the conference; but it seems that sufficient political momentum for change had not been built up by the time of the conference.

These consultations and recent proposals for law reform have been triggered largely as a result of European case law developments on the patentability of software and business methods, and also because of a perceived need to consider whether the ease of securing patent protection for such inventions in the US should be reflected in Europe. The European law on the patentability of software and business methods is based on Articles 52(2) and (3) of the EPC, which state that:

1 *www.patent.gov.uk/about/consultations/conclusions.htm.* See WIPR, April 2001, p. 10.

2 *www.europa.eu.int/comm/internal_market/en/intprop/indprop/softreplies.htm*

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