

THE PRACTICE OF PREVENTIVE PROCEEDING AND PRESERVATION OF EVIDENCE IN INTELLECTUAL PROPERTY CIVIL ACTIONS

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ABSTRACT

An action relating to intellectual property rights (IPRs) usually mixes legal issues with technology issues. Such feature results in the difficulties on collecting relevant evidence of IPR infringement. Therefore, the demand on preventive proceeding and preservation of evidence in IP civil actions has been increasing more than ever. This article briefly introduces preventive proceeding and preservation of evidence in the practice of the Intellectual Property Court (IPC).

Keywords: Intellectual property right, preventive proceeding, provisional attachment, preliminary injunction, injunction maintaining the temporary status quo, preservation of evidence, confidentiality preservation order

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I. Introduction

The Intellectual Property Court Organization Act (hereinafter “IPCOA”) and the Intellectual Property Case Adjudication Act (hereinafter “IPCAA”) were enacted in March 2007 and came into effect on July 1, 2007.¹ In compliance with IPCOA, the Intellectual Property Court (hereinafter “IPC”) was established on July 1, 2008. The utmost aim of IPC is to protect intellectual property rights (IPRs) promptly and efficiently through a professional and specialized court. IPC deals with civil, criminal and administrative cases related to IPRs under the Patent Act, the Trademark Act, the Copyright Act, the Optical Disk Act, the Regulations Governing the Protection of Integrated Circuits Configuration, the Trade Secrets Act, the Species of Plants and Seedling Act, and the Fair Trade Act.²

From July 2008 to April 2012, IPC has terminated 1,503 IP civil cases, including 317 copyright cases, 896 patent cases, 231 trademark cases and 59 others. The majority is patent cases which comprise 558 first instance ones and 338 second instance ones.³ An IP action (especially patent) usually mixes legal issues with technology issues. Such feature results in the difficulties on collecting relevant evidence of IPR infringement. Hence, the demand on preventive proceeding and preservation of evidence has been increasing more than ever. This article briefly introduces preventive proceeding and preservation of evidence in the practice of IPC.

II. The Features of IP Civil Actions

The burden of proof in IP civil actions is extremely heavy for IPR holders because of complex and technical characteristics of IPRs. IPR holders would like to prove the existence of infringement through preventive proceeding (including provisional attachment, preliminary injunction, and injunction maintaining the temporary status quo) and preservation of evidence. Therefore, preventive proceeding and preservation of evidence are more frequently applied in IP civil actions than in general civil actions.

However, the right to litigation materials of the IPR holder and the right to trade secrets of the respondent are in confronting positions. In order to

¹ The translations in English, German and Japanese of IPCOA and IPCAA are on the website of IPC, http://ipc.judicial.gov.tw/ipr_english/index.php?option=com_content&view=article&id=98&Itemid=28.

² Article 3 of IPCOA provides the jurisdiction of IPC.

³ Statistics Office of IPC, Table3: Types of the Civil Action Cases Terminated (April 2012).

balance the above conflicting interests, Articles 11-15, 30 and 34-36 of IPCAA provide confidentiality preservation orders.

The following Table 1 is the IPC statistics about preventive proceedings, preservation of evidence and confidentiality preservation orders.⁴

Table 1

State of Termination by Preventive Proceeding, Preservation of Evidence & Confidentiality Preservation Order in the First Instance							
2008 July- 2012 April (Unit: Case Count)							
Type	Newly -filed	Total	State of Termination				Pending Cases
			I	II	III	IV	
A	102	102	18	1	83	0	0
B	15	15	5	1	8	1	0
C	40	39	7	12	17	3 (Note 3)	1
D	193	192	20.5	20	151.5	0	1
E	17	17	5.5	6	5.5	0	0

Note:

1. Type: Type A-Provisional Attachment; Type B-Preliminary Injunction; Type C-Injunction Maintaining the Temporary Status Quo; Type D-Preservation of Evidence; Type E-Confidentiality Preservation Order.
2. State of Termination: I-Approved; II-Withdrawn; III-Dismissed; IV-Other.
3. Approved=Approved+(partially approved and partially dismissed)/2
4. Dismissed=Dismissed+(partially approved and partially dismissed)/2
5. Transfer of Jurisdiction or Conciliation

IPCAA, Implementation Rules of Intellectual Property Case Adjudication Act (hereinafter “the Rules”⁵) and the Code of Civil Procedure shall apply to

⁴ Statistics Office of IPC, Figure 12: Preventive Proceeding, Preservation of Evidence & Confidentiality Preservation Order in the First Instance (April 2012).

⁵ The translation in English of the Rules is on the website of IPC, http://ipc.judicial.gov.tw/ipr_english/index.php?option=com_content&view=article&id=98

the preventive proceeding and preservation of evidence in IP civil actions. Articles 18 and 22 of IPCAA stimulate preservation of evidence and preventive proceeding respectively. The Code of Civil Procedure is applicable merely when there is no provision under IPCAA.

III. The Preventive Proceeding

When filing an application for provisional attachment or preliminary injunction, the applicant shall submit a preliminary showing proving the claim and the ground for provisional attachment or preliminary injunction (Articles 526 and 533 of the Code of Civil Procedure). Even though the legal ground of the provisional attachment process is Article 86 of the Patent Act,⁶ the requirement of the preliminary showing is the same. The financial situation of the respondent, rather than the condition of the tools for the patent infringement or the objects produced by such patent infringement, shall be taken into consideration.⁷ In cases of insufficiency in the preliminary showing, the applicant may represent his willingness to provide a bond or security; yet, if there is no showing, the application shall be dismissed.

In the application for injunction maintaining the temporary status quo, the requirement of the preliminary showing is comparatively strict because of the confliction interests of parties in IP civil action. IP holders have to submit evidence with more strict requirements to prove that (1) the existence of the legal relation in dispute, and (2) the need to maintain the temporary status quo (i.e., the necessity of preservation). According to Article 22, Paragraph 2 of the IPCAA and Article 37, Paragraph 1 of the Rules, there shall be the necessity of preservation if it is necessary to prevent material

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⁶ Article 86 of the Patent Act provides:

Any article used in an act of patent infringement or produced by such an act may, upon the application of the injured party to the court, be provisionally seized to serve as the whole or a part of compensation for the damages as may be awarded by judgment. When the injured party instituted an action claiming for damages under the preceding Article and applying for provisional seizure, the court shall allow procedural relief in accordance with the Code of Civil Procedure.

However, the recent amendment of the Patent Act has been repealed this article in order to revert to the related articles in the Code of Civil Procedure.

⁷ See Supreme Court civil decision No. 2009-Tai-Kang-339; see also Issue # 12 of Civil Procedure, Judicial Yuan, 2009, rendition of yearly IPR law seminar.

harm or imminent danger or other similar circumstances with regard to such legal relation.

With regard to the necessity of preservation, according to Article 37, Paragraph 3 of the Rules, the court shall deliberate on (1) the likelihood of success of the applicant in the principal case in the future, and (2) whether the granting or rejection of the application will cause irreparable harm to the applicant or respondent, the degree of damage to both parties, and impact on public interest.

In the trinity litigation system under the IPCAA, IPC deals with IP civil, criminal and administrative cases. The most critical breakthrough is IPR validity judgments in civil and criminal actions. A judge may decide independently whether the issued IPR shall be cancelled or revoked in a civil or criminal action. There is no need to postpone the civil and criminal proceeding for the decision of an administrative case. Once the invalidity of the IPR is recognized, according to Article 16 of the IPCAA, the IPR holder shall not claim his right in this civil or criminal action.

Moreover, in the application for injunction maintaining the temporary status quo, the respondent may argue the validity of the issued IPR with convincing evidence. While reviewing the likelihood of success in the principal case in the future, according to Article 37, Paragraph 4 of the Rules, the court shall rule against the IPR holder (or applicant) if there is high probability of cancellation or revocation.

Besides, the court shall dismiss the application for injunction maintaining the temporary status quo if the preliminary showing is insufficient. According to Article 22, Paragraph 2 of the IPCAA and Article 37, Paragraph 1 of the Rules, it is not allowed to provide a bond or security whether in lieu of preliminary showing or supplementing the above-mentioned insufficiency. The mechanism taken in IPCAA is wholly different from Articles 538-4, 533, and 526 of the Code of Civil Procedure.

In IPC civil decision No. 2009-Min-Zhuan-Lang-34, the applicant claimed that the products in question infringed claims 1, 2, 3, 6, 11, and 19 of the issued patent, therefore applying for an injunction maintaining the temporary status quo. The respondent contended that those claims aforementioned were lack of obviousness. IPC contemplated the contention on the validity argument of the issued patent and found in favor of the respondent that the patent claims 1, 2, 3, 6, 11, and 19 were all lack of non-obviousness. Accordingly, IPC ruled that it is less likely to build up the necessity for preservation, so that the application was dismissed.

Consequently, the level of proving the necessity of preservation is quite

high to escalate the application for injunction maintaining the temporary status quo as if a principal case. The IPR holder (or applicant) must completely perform his duties of showing; otherwise his application may be dismissed or his IPR may be regarded as invalid, which would likely influence the principal case and the related administrative action in the future.

IV. Preservation of Evidence

The evidence proving the fact of IPR infringement and damages is easily destroyed or hidden, so IPR holders have no mean to prove the existence of infringement and damages. In order to pursue a proper remedy, preservation of evidence is necessary because the IPR holder (or applicant) may encounter the difficulties of presenting evidence in the principal case. Nevertheless, the preservation of evidence might affect the trade secrets owned by the respondent.

How does the court balance the conflict of Interests of parties and keep the fairness of the laws? Since the applicant utilizes the preservation of evidence process, but not the main lawsuit process, to proceed for expert testimony, inspection or perpetuation of documentary evidence, and to probe into the respondent's trade secrets, the applicant has a duty to submit a favorable proof to the court. If he fails to do so, he shall bear the disfavored result that the application is dismissed.

By reviewing the IPC decisions in the preservation of evidence cases, the grounds of denial are as followed:

- Failure to express the explicit ground of the application.
- Failure to express the fact to be proven by such evidence.
- Failure to explain the existence of the subject products.
- Failure to explain if there is any concern that the evidence would be soon destroyed or under extreme difficulty to retrieve.
- Failure to explain that the applicant would possess any legal interest in maintaining the temporary status quo, thus it is necessary in so doing.
- The products in question still exist.
- There are some other methods available to investigate the evidence.
- The evidence is under custody of a governmental agency.
- The applicant has already obtained the products in question which are available for inspection.
- The applicant has already obtained the products in question which has been already sent for inspection.

- It does not comply with the principle of proportionality.

To sum up, the applicant must explicitly express the legal ground of application and the subject fact to be found if such evidence be preserved, for example, the existence of the certain IPR, the actual infringing conduct, the damages that the applicant may have suffered and the extent of such damages. In addition, the applicant has to provide a preliminary showing of the necessity and the ground for preservation of evidence, including:

- To point out what evidence might be destroyed, lost or difficult to be used in the principle case.
- The legal interests that the applicant may have possessed onto certain matter or object for maintaining its temporary status quo.
- There are some other methods available to investigate the evidence.
- The applicant may have suffered the disadvantage if the application is dismissed.
- The respondent may have not suffered the disadvantage if the application is granted.
- To balance, under the principle of proportionality, the competing interests between the legal right to collect evidence and the protection of trade secrets.

V. The Protection of Trade Secrets

Article 2 of the Trade Secrets Act defines the term “trade secret” which means any method, technique, process, formula, program, design, or other information that may be used in the course of production, sales, or operations, and also meet the following requirements: (1) It is not known to people generally involved in the information aforementioned; (2) It has economic value, actual or potential, due to its secretive nature; and (3) Its owner has taken reasonable measures to maintain its secrecy.

In IPC civil decision No. 2009-Min-Mi-Sheng-Shang-Geng-Yi-1, the subject USB HDD concerning the subject 49 items belonged to the applicant and contained accounting data, pay roll data, purchase order system, procurement system, processing system, stock management, system maintenance system and so forth, which may be directly related to the applicant’s daily business operation and may carry a potential and/or actual economic values. The applicant showed that he set up a log-in system to screen the identities and restricted the access of such entry. Therefore, the applicant had adopted reasonable measures for confidentiality, it was considered as the trade secrets of the applicant.

For the protection of trade secrets in IP actions, Article 43 of the IPCOA

provides that no judgments of IPC involving trade secrets of a party or third party shall be disclosed. The IPCAA also take several measures to safeguard trade secrets:

- (1) The trial in camera (Article 9, Paragraph 1 and Articles 24, 34).
- (2) The refusal or otherwise limitations on reviews, transcription or videotaping of litigation materials (Paragraph 2 of Article 9, and Articles 24, 34).
- (3) The discovery of documents and objects for inspection before the order for submitting such documents and objects (Articles 10, 34).
- (4) Confidentiality preservation orders in IP civil, criminal, administrative actions and preventive proceeding (Articles 11 to 15, Paragraph 5, 6 of Article 18, and Articles 30, 34). Articles 35 and 36 impose criminal liability on the violation of confidentiality preservation order to protect trade secrets in IP actions.

Once the confidentiality preservation order is granted, the clerk shall immediately notify the applicant of the order if anyone not subject to the order or prohibition or limitation of review applies for review, transcription or videotaping of the dossier documents according to Article 15, Paragraph 1 of IPCAA. As to documents review after the granting of a confidentiality preservation order, in Supreme Court civil decision No. 2010-Tai-Kang-133, the applicant submitted some materials to prove that he had suffered actual damages from the respondents' infringement. The respondent then requested to review these materials, but the applicant moved for dismissal on the respondents' request and to prohibit the respondents from copying, duplicating and videotaping. Because these materials were closely related to the outcome of the litigation, the Supreme Court considered that it was necessary for the respondents to review the materials for defense. Due to the fact that these materials comprised of very complicated and professional content, it was very difficult to check the correctness in a short time, therefore it was necessary for the respondent to copy, duplicate or videotaping. Furthermore, the court had already granted the confidentiality preservation orders against the respondent. It was enough to protect the applicant's trade secrets. There was no need to place other restrictions on the respondent.

The liability of confidentiality preservation order is lasting until the order is revoked and then become void according to Article 14 of IPCAA. In IPC civil decision No. 2010-Min-Mi-Sheng-Shang-1, the application for revoking the confidentiality preservation order was granted on the ground that both parties had already settled and consent such application.

VI. Conclusion

The goal of IPCOA and IPCAA is to protect IPRs properly, and foster the nation's technological and economic development. The system of provisional attachment, preliminary injunction, injunction maintaining the temporary status quo, preservation of evidence and confidentiality preservation order is to achieve the above goal. The further operation of preventive proceeding and preservation of evidence in IP civil actions is depending on the efforts of IPC, IPR holders, attorneys and researchers.

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