UNDERSTANDING BETWEEN THE AMERICAN INSTITUTE IN TAIWAN AND THE COORDINATION COUNCIL FOR NORTH AMERICAN AFFAIRS

The American Institute in Taiwan (AIT) and the Coordination Council for North American Affairs (CCNAA), in order to promote extensive, close and friendly commercial, cultural, and other relations and desiring to facilitate the expansion of commerce on a non-discriminatory basis, have established this Understanding to ensure the adequate and effective protection of intellectual property rights in the territory represented by CCNAA without impairing any benefits or protection enjoyed by virtue of any prior agreements or other arrangements.

Article 1

The authorities represented by CCNAA prepared on April 15, 1992, an Action Plan, specifying in it various actions and measures for strengthening the protection of intellectual property rights. The authorities represented by CCNAA hereby affirm and undertake to implement fully the following provisions of the Action Plan, as amplified and clarified by this Understanding, and which are incorporated by reference into this Understanding:

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Sections V.1.(ii)(B); V.1.(iii); V.2.(i); V.2.(iii); V.2.(iv); V.2.(vi)(B),(C) and (D); V.2;(viii); V.3.(i); V.3.(ii); V.3.(iii)(A)(B) and (D); V.3.(iv); V.3.(v); V.4.(i); V.4.(ii); V.4.(iii) and V.4.(iv).
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Article 2

- The authorities represented by CCNAA agree to undertake the following further commitments and to improve the protection and enforcement of intellectual property rights in their territory.
- 2. The authorities represented by CCNAA will promptly promulgate the new Copyright Law so that it will enter into force no later than thirty (30) days after its passage by the Legislative Yuan (LY) and issue implementing rules for Article 5 of the Copyright Law within thirty (30) days after the Law is effective. All other implementing rules for the Copyright Law except for those relating to Organization Rules for Copyright Intermediary Bodies and minimum compensation will be issued within ninety (90) days after the Copyright Law is effective. The implementing rules for the Copyright Law shall not derogate from the provisions of the Bilateral Copyright Agreement Between CCNAA and AIT.
- 3. The authorities represented by CCNAA commit to use best efforts to work with the LY for the passage of the AIT-CCNAA Bilateral Copyright Agreement as early as possible, but not later than the LY session ending January 31, 1993. CCNAA

will sign the Agreement immediately upon its approval by the LY.

- 4. a. The authorities represented by AIT take note of the passage of the new Copyright Law by the LY, but have expressed concerns about several Articles. The authorities represented by CCNAA take note of these concerns and agree to consult with the authorities represented by AIT with a view to determining whether further measures are necessary and, if so, what measures should be taken to resolve such concerns.
 - b. The authorities represented by AIT are also concerned about other Articles, including, for example, Articles 4, 5, 17, 21, 36, 51, 74, 75, 82, 88, and 109, which, in the view of the authorities represented by AIT, may raise questions about the effectiveness of protection provided under the new Copyright Law. The authorities represented by CCNAA agree to consult with the authorities represented by AIT about such concerns and to clarify, as may be necessary, these Articles through implementing rules or letters of interpretation for the Copyright Law.
- 5. a. The authorities represented by CCNAA commit to use best efforts to work with the LY for the passage of the Cable TV Law, as early as possible, but not later than by the end of the LY session ending January 31, 1993. The authorities represented by CCNAA take note of the following amendments to the Cable TV Law proposed by persons signing a petition as "Motion Picture Business People in Taiwan":
 - i. Amending Article 46 to provide the basis for punishment of violators under the Cable TV Law;
 - ii. Amending Article 54 to provide for the award of damages against infringers under this law;
 - iii. Adding a new Article 61-1 to make violation of Article 46 a public offense punishable by a sentence of at least 6 months, a fine not to exceed NT\$ 500 thousand, and suspension of the license to broadcast; and
 - iv. Amending Article 65 to criminalize the illegal operation of a cable TV system with a sentence of not less than 6 months nor more than 5 years, and a fine of no less than NT\$ 300 thousand nor more than NT\$ one million.

Should any of these amendments be proposed in the Legislative Yuan, the GIO's representative, upon enquiries from the lawmakers, would make a statement to the effect

that the GIO would respect the lawmakers' views and their decision. In addition, GIO will use its best efforts, in appropriate circumstances, to support such amendments.

b. The EY will coordinate with the LY for a clause to the following effect to be added to the bill on the Cable TV Law:

"When a cable TV station has in a period of twelve (12) consecutive months committed three (3) separate copyright infringements, the license to operate the cable TV station shall be revoked when the convictions in all three (3) infringement cases become final."

- 6. With regard to cable TV systems:
 - a. The GIO will immediately and systematically raid unlicensed cable TV systems and will seize all equipment from such systems, including cables, video recorders, boosters, transformers, satellite receivers and frequency mixers. GIO will continue these raids following passage of the Cable TV Law and will seek imposition of the maximum penalties under the law for unlicensed cable TV systems.
 - b. The GIO will file complaints with the Prosecutor's Office regarding cable TV system operators or channel operators which GIO has reason to suspect of infringing copyright as part of their usual business for prosecution under Article 94 of the Copyright Law and the Criminal Procedure Code. No additional complaint from the copyright owner whose work is allegedly infringed will be required.
 - c. In response to copyright infringement complaints, the police will aggressively and expeditiously investigate the cable TV stations specified in the complaint, and will seize infringing products and all equipment for use to commit an offense.
 - d. Prosecutors will immediately commence criminal investigations under the law upon being presented with evidence of criminal copyright infringement by cable TV stations and, if the investigation confirms evidence of infringement, will aggressively prosecute under the law all such cable systems and their owners.
- 7. Upon passage by the LY, the Cable TV Law shall take effect upon the lapse of three (3) days after its promulgation. All cable TV operations shall thereupon be subject to and regulated by the Cable TV Law. The GIO shall prepare and promulgate implementing rules for the Law within three (3) months after the Cable TV Law takes effect and the licensing

process shall be completed within twelve (12) months after the expiry of such 3-month period.

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- 8. The authorities represented by CCNAA will:
 - a. Submit amendments to the Patent and Trademark Laws to ensure that these laws fully comply with the standards and requirements established in the December 20, 1991 draft text on Trade-Related Aspects of Intellectual Property (TRIPS text) to the LY by December 31, 1992. The authorities represented by CCNAA commit to use best efforts to work with the LY for the passage of the amendments to the Patent and Trademark Laws as early as possible, but not later than the LY session ending July 1993.
 - b. Include in the official legislative explanatory notes to the revised Patent Law, an explanation that the two to five year experimental and testing extension period provided for in Article 51 shall be understood to include experimental and testing periods required for the purpose of obtaining marketing approval by the competent authorities of the territory represented by CCNAA and/or such other territories whose experiments and testing are accepted by the competent authorities represented by CCNAA; and
 - c. Include amendments to the Patent Law so that importation of the patented product or the product directly resulting from the use of a patented process, in each situation authorized by the right holder, will satisfy any requirement in the law to work a patent in the territory represented by CCNAA.
- 9. The authorities represented by AIT and the authorities represented by CCNAA agree to consult on administrative protection for pharmaceuticals and agricultural chemicals no later than August 31, 1992. CCNAA will examine seriously AIT's proposal to provide such protection for products which:
 - a. were not subject to patent protection prior to the revision of the Patent Law to extend such protection in the territory represented by CCNAA;
 - b. are subject to patent protection in their territory of origin; and
 - c. have not been marketed as of the effective date of this Understanding in the territory represented by CCNAA.
- 10. The authorities represented by CCNAA will ensure that the industrial design, semiconductor chip protection and trade secret laws meet the standards and requirements of the TRIPS

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text. The authorities represented by CCNAA commit to use best efforts to work with the LY for the passage of the industrial design law, the semiconductor chip protection law, and, if necessary, the trade secret law, as early as possible, but not later than the LY session ending July 1994.

- 11. The authorities represented by CCNAA will ensure that, in implementing the provisions of the Action Plan applicable to MTVs, the police will seize all equipment for use to commit an offense, including video recorders and televisions, in response to copyright infringement complaints. In addition, GIO will cancel the operating license of any MTV which is found by GIO for the third time in a twelve-month period to be in possession of audio-visual works not authorized for public performance.
- 12. Effective immediately, when implementing the provisions of the Action Plan in respect of licensing the export of Compact Discs (CDs):
 - a. Before the issuance of the "Written Consent to Export", the GIO shall require production for GIO's review either the copyright owner's authorization or IFPI's certification that the applicant is authorized to export the copyrighted work. In the event that IFPI has not given such certification, the GIO shall insist on (1) the production of the licensing agreement substantiating the authority to export the copyrighted work, or (2) confirmation of the authorization from the copyright owner, or (3) production of other pertinent documentation satisfactory to GIO.
 - b. If GIO has any doubt regarding the validity of the documentation submitted by an applicant, the GIO shall notify the IFPI and inquire whether there is any further information for GIO to consider in determining whether to grant the "Written Consent to Export". If the GIO determines that the export-applicant has given false information or forged documentation, the GIO shall refer the case to the prosecutor for appropriate action.
 - c. The Public Prosecutor shall promptly investigate for prosecution under the law, individuals (including owners and other persons responsible under the law) who have either submitted fraudulent documentation (including not properly identifying a shipment of CDs as CDs), or attempted to export CDs without having obtained a proper license.

d. Customs shall:

i. Check 30 to 50 percent of all exports of CDs to any destination to determine whether the CDs match the

description in the export license and the "Written Consent to Export" issued by the GIO.

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- ii. Check all exports to any destination from companies known to be or to have been engaged in the unauthorized reproduction or export of CDs, even if such shipments are not labeled as CDs, in order to avoid circumvention of the export licensing system. If, for a period of twelve (12) months, such companies have not been found by the relevant authorities to have engaged in the unauthorized reproduction or export of CDs, then the exports shall be subject to customs inspection procedures provided in the preceding subparagraph d.i. upon the expiry of such twelve-month period.
- 13. In implementing the export licensing systems for computer software programs:

a. BOFT shall:

- i. By public announcement invite copyright owners or their designees to deposit with the BOFT that information regarding a copyrighted computer software program which permits inspection of the computer software programs prior to exportation.
- ii. Establish a computer data base for the storage of information submitted by a copyright owner or his designee concerning copyrighted computer software programs. When the information is provided, the data base shall maintain a list of authorized licensees and manufacturers of copyrighted works as made available by the copyright owner or his designee. The BOFT examiners shall check this data base before an export permit is issued and BCIQ inspectors shall check this data base before pre-shipment inspection is completed.
- iii. Promptly notify the copyright owner or his designee if there is any doubt as to whether an applicant has the authorization to export the product stated in his application.
- iv. Effective immediately, begin examining the export permit applications for computer software programs to insure that the number, type, and other specifications of packaged computer software programs stated in the export license application match the information on the purchase order or other documents required for exportation.

- v. Issue export permits for computer software programs installed, residing, or incorporated in semiconductor chips which are assembled onto printed circuit boards intended for computers, printers, or video games by November 1, 1992.
- vi. Issue export permits for computer software programs installed, residing, or incorporated in video games by November 1, 1992.
- vii. Issue export permits for computer software programs installed, residing, or incorporated in a computer or printer by December 1, 1992.
- viii. Issue export permits for computer software programs installed, residing, or incorporated in semiconductor chips (which are neither assembled onto printed circuit boards nor assembled in a computer, printer or video game) but are intended for computers, printers, or video games or printed circuit boards for such items, by January 1, 1993.
- ix. Issue export permits for computer software programs installed, residing, or incorporated in semiconductor chips (assembled or unassembled) intended for devices not specified above as warranted by discovery of a material volume of infringement in these devices.
- x. Refer applications to the public prosecutor for investigation and appropriate legal action if fraud is suspected.

b. BCIQ shall:

- i. Establish methods and criteria for conducting preexportation computer software program inspections. Pre-shipment inspection shall be conducted in accordance with the Commodity Inspection Law.
- ii. Have acquired sufficient equipment to conduct inspections required under this paragraph and have trained sufficient personnel for the task of pre-export inspection and examination (by way of comparison under paragraph b.iii.) of copyrighted computer software programs by September 1, 1992.
- iii. Inspect, by comparing computer software programs requiring export licenses deposited in the computer data base, provided by the owner or his designee, to determine if there is infringement of:

a. computer software programs installed, residing, or incorporated in semiconductor chips which are assembled onto printed circuit boards intended for computers, printers, or video games by November 1, 1992.

- b. computer software programs installed, residing, or incorporated in video games by November 1, 1992.
- c. computer software programs installed, residing, or incorporated in a computer or printer by December 1, 1992.
- d. computer software programs installed, residing, or incorporated in semiconductor chips (which are neither assembled onto printed circuit boards nor assembled in a computer, printer or video game) but which are intended for computers, printers, or video games or printed circuit boards for such items, by January 1, 1993.
- e. computer software programs installed, residing, or incorporated in semiconductor chips (assembled or unassembled) intended for devices not specified above as warranted by discovery of a material volume of infringement in these devices.
- iv. Prior to exportation BCIQ shall inspect at random thirty to fifty (30-50) percent of computer software programs to ensure that the products that have been certified by BCIQ as having passed the pre-exportation inspection have since not been improperly handled.

c. Customs shall:

- i. Effective immediately begin examining computer software programs to insure that the number, type, and other specifications of packaged computer software programs match the information on the export permit, invoice, packing list or other documents required for exportation.
- ii. Check a thirty to fifty (30-50) percent random sample of all exports of software to any destination to determine whether the software matches the description in the export license and the export inspection certification issued by BCIQ.
- iii. Check all exports to any destination from companies known to be or to have been engaged in the unauthorized reproduction or export of computer

software programs, even if such shipments are not labelled as computer software programs, to avoid circumvention of the export licensing system. If for a period of twelve (12) months, such companies have not been found by the relevant authorities to have engaged in the unauthorized reproduction or export of any such product, then exports of such products shall be subject to the customs inspection procedure provided in the preceding subparagraph c.ii.

- iv. Not permit the exportation of merchandise suspected of infringing a copyright, unless the exporter presents to customs information which eliminates the suspicion of infringement. If right owners have obtained a final judgment of a court confirming the infringement of copyright, customs shall confiscate such products, if they are still within customs' custody.
- d. The Public Prosecutor shall promptly investigate for prosecution individuals (including owners and other responsible persons under the law), who have either submitted fraudulent documentation (including not properly identifying a shipment of software as software), or attempted to export software without having obtained a proper license.
- 14. The authorities represented by CCNAA commit to obtain, under the law, effective criminal remedies sufficient to deter infringement of intellectual property rights in their territory and to this end:
 - a. The Ministry of Justice has given directions to the public prosecutors to the following effect:
 - i. When prosecuting an IPR infringer, prosecutors should consider the adverse impact of counterfeiting activities on the economy and international image of the territory represented by CCNAA, and request a stiff penalty. If the crime committed is of a serious nature, prosecutors should ask the court to impose the heaviest penalty.
 - ii. In cases where the sentence is deemed by the public prosecutor to be too lenient, the public prosecutor shall promptly consider appropriate appellate review of such sentence.
 - iii. When prosecuting an IPR infringer, the public prosecutor shall take into consideration the undue profit gained by the infringer, and ask the court for concurrent imposition of a fine in addition to

imprisonment, in accordance with Article 58 of the Penal Code.

- iv. When an order is issued by a judge to convert the jail sentence to a fine, the public prosecutor should, in accordance with Article 41 of the Penal Code, closely scrutinize the documentation of proof presented. Only when the physical, educational, occupation, or family conditions of the offender will make the execution of the jail term impossible should conversion to a fine be granted.
- v. When the police apply for a search warrant, the public prosecutor shall act promptly to issue the warrant, once all the legal requirements are met. If the venue for conducting the search falls within multiple jurisdictions, the original prosecutor may request the prosecutor at the place where a search is to be conducted to issue such a warrant; or, in case of emergency, he may issue the search warrant himself to preserve evidence.
- b. Pursuant to the authority of the Chief Public Prosecutor of each District Prosecutor's Office to conduct oversight of prosecutor's compliance with these directions, the Ministry of Justice shall review compliance and implementation of these directions on a quarterly basis and take appropriate administrative action at year-end reviews.
- c. The authorities represented by CCNAA will issue further directions to the public prosecutors stating that:
 - the public prosecutor will aggressively prosecute intellectual property right infringement cases under the law;
 - ii. when requesting that a certain penalty be imposed, the public prosecutor shall consider all aspects of damage to the owner of the intellectual property right, including the level of economic harm and damage to the intellectual property owner's reputation and request sentences under the law commensurate with the seriousness of the offense and adequate to deter further infringements.
- d. CCNAA agrees to provide quarterly statistics on final decisions in IPR infringement cases detailing:
 - i. the past convictions of the defendant;
 - ii. the articles searched and seized;

- iii. the sentence sought by the prosecutor;
- iv. the facts of the offense as found by the court in its final judgment;
- v. the final judgments of the courts, including the actual sentence imposed by the court; and
- vi. whether a conversion to a fine was granted.
- e. CCNAA agrees to provide monthly statistics on the overall level of enforcement of intellectual property rights in the territory it represents. These statistics shall include:
 - i. the total number of raids conducted;
 - ii. the number of searches and seizures of infringing articles and other evidence;
 - iii. the number of arrests;
 - iv. the number of convictions obtained; and
 - v. actual sentences imposed including any period of imprisonment and/or fine.
- 15. The authorities represented by CCNAA commit to use best efforts to work with the LY for passage of an amendment, as early as possible, but not later than the end of the LY session ending January 1993, to raise the current level at which each day's imprisonment may be converted to a fine. Under this amendment each day's imprisonment shall be convertible to a fine of NT\$ 300, NT\$ 600, or NT\$ 900.

Article 3

- 1. AIT agrees that the authorities that it represents will use their best efforts to cooperate in the implementation of the export licensing system set forth in paragraph 13 of Article 2 of this Understanding. To accomplish this objective, the authorities represented by AIT will establish a contact point in the relevant agency to receive inquiries and to provide a response, information or assistance subject to the limitations of U.S. law.
- 2. The authorities represented by AIT and the authorities represented by CCNAA agree to consult on a quarterly basis or at the request of either Party. Such consultations will cover, inter alia:

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- a. the interpretation, implementation, or operation of this Understanding; and
- b. whether modifications should be made to the measures in the Understanding:
 - i. to improve the protection and enforcement of intellectual property rights; or
 - ii. to prevent such measures from becoming barriers to legitimate trade, i.e., the licensing and inspection system provided for in paragraph 13 of Article 2 having the effect of imposing unjustifiable delays or barriers to the exports of authorized products from the territory represented by CCNAA.

Article 4

In consideration of the foregoing commitments and in the expectation that they will be fully implemented, the authorities represented by AIT agree to revoke the identification of the territory represented by CCNAA as a "priority foreign country" under the "special 301" provisions of U.S. trade law and terminate the investigation initiated pursuant to "special 301." These actions will be effective as of the date of signature of this Understanding.

Signed in Washington, D.C., this fifth day of June, one thousand nine hundred ninety-two.

For The American Institute

In Taiwan

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For The Coordination Council For North American Affairs

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