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FIRM NEWS

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PATENT

Draft Legislation of Pharmaceutical Affairs Act for Korean Patent-Regulatory Approval Linkage System

By Mee-Sung SHIM, Kevin Kyumin LEE and Eun Sun CHOI

As part of the Korea-US Free Trade Agreement ("KORUS FTA"), the patent-regulatory approval linkage system has been introduced in Korea. The implementation of the system has been divided into two stages. The first stage, implemented since March 15, 2012, provides that brand companies may apply for patent listing related to their products and generic companies must notify brand companies of generic approval applications if challenging the listed patent. In the second stage, effective March 15, 2015, a stay mechanism is implemented preventing generic product sales for a certain time period. Moreover, one generic company will be given exclusivity rights that prevent the sales of generic products by other generic companies for a certain period of time. Needless to say, the linkage system will have a large effect on the Korean pharmaceutical industry, especially from a patent perspective. One possible outcome is that more generic companies will tend to file legal actions before filing generic approval applications in order to obtain first generic exclusivity.

On March 21, 2014, the Ministry of Food and Drug Safety ("MFDS") announced draft legislation of the Pharmaceutical Affairs Act to fully implement the linkage system. The draft legislation includes revised provisions on the current patent listing and generic notice systems, new provisions on the stay mechanism and generic exclusivity. The major details are summarized below and a comparison with the US Hatch-Waxman Act upon which the Korean linkage system is based is also presented.

Patent Listing

Patent Eligibility

Who can list patents?	A marketing approval holder, who must be the patentee or licensee.
Which patents can be listed?	Patents directed to a substance, formulation, composition and medicinal use.
When does the listing need to be filed?	30 days from the product approval date or patent registration date.
What are the listing requirements?	Patents "directly relevant" to the approved product and patents filed before the "regulatory approval," which is an additional requirement stipulated in the draft legislation.

Comparison with the US linkage system

Korean Linkage System	US Hatch-Waxman System
The MFDS reviews the substance of the Patent Listing Applications ("PLA") and selectively lists patents on the Green List.	The Food and Drug Administration ("FDA") simply lists patents on the Orange Book and has ministerial role.
The MFDS requires a more detailed explanation of the relationship between the patent claims and approved product for the patent listing.	No such requirement except for methods of use patents.
The MFDS has the authority to change and delist the listed patent information for failing to meet the listing requirements.	The FDA does not conduct a substantive review and has no authority like the MFDS.
The MFDS edits granted patent claims to narrow the scope to match the approved product and list what is called the "listed claims," which is the edited version of the granted patent claims.*	No such practice.
The Korean linkage system covers biological products as well as chemical products.	The US Hatch-Waxman system covers only the chemical products and biological products are regulated with a separate system.

(* The MFDS has recently changed its practice from March 28, 2014, to publish the "Patent Claims Requested for Listing" and their "Direct Relationship Basis" with the approved product, rather than the "listed claims.")

Publication of the PLAs and Third Party Opinions

The draft legislation proposes a new system to publish the information on the PLAs and to make any third party provide the MFDS with an opinion on the eligibility of the PLA.

Generic Notice

Notice Requirement

When must notice be provided?	A generic company must notify the patentee and marketing approval holder of its generic approval application within 7 days.
When is notice not required?	When the application is filed under the condition that generic sales will begin after the listed patents expire or when there is consent from the patentee and marketing approval holder that notice is not required.

Penalties for Violation of the Notice Requirement

The draft legislation stipulates penalty provisions. However, they have not yet been finalized in the current law.

What if a generic company fails to meet the notice requirement?	The MFDS may order the generic company to send a notice.
What if a generic company still fails to meet the notice requirement?	The MFDS may send the notice directly.
What if the generic notice is sent after the 7-day deadline?	The actual notice date will be deemed as the generic application date for the purpose of granting the first generic exclusivity.

Generic Stay Mechanism

Request for Generic Stay

When can the marketing approval holder request a stay against generic sales?	Within 45 days of the generic notice date if the patentee files patent action.
How many stay requests are allowed?	Only once against the same generic company. In addition, the marketing approval holder may not selectively request the stay only against certain generics without a justifiable reason. Generic sales shall be stayed until the generic stay request period expires (45 days from the generic notice date) and the MFDS generic stay decision date.
What types of actions must the patentee file to request stay against generic sales?	<ul style="list-style-type: none"> · Patent infringement action; · Scope confirmation trial against the generic company; or · Responding to a scope confirmation trial filed by the generic company (relating to any listed patent).

MFDS Decision on Generic Stay

What is the requirement to grant generic stay?	Where there exists a "need to prevent significant damage" to the marketing approval holder or patentee due to the generic sales.*
How long is the stay?	The generic stay period is 12 months from the generic notice receipt date.

(* The above "significant damage" requirement is very important to the linkage system but the draft legislation does not yet provide any detailed explanation.)

Comparison with the US linkage system

Korean Linkage System	US Hatch-Waxman System
Not automatic stay – A request for stay is filed by the marketing approval holder and the MFDS reviews its merit.	Automatic stay
"Generic sales" will be stayed.	"Generic approvals" are stayed.

Generic Exclusivity

Requirements of Generic Exclusivity

According to the draft legislation, the Korean system provides first generic exclusivity to the appropriate generic to prevent sales by other generic companies.

How can a generic obtain first generic exclusivity?	<ul style="list-style-type: none"> · The generic company must have filed the first generic approval application; · The generic company must have filed a scope confirmation trial or invalidation action before filing its generic approval application; and · The generic company must have received a favorable decision in the trial or action as a direct party.
What are the additional requirements?	Since a generic company can file an invalidation action or scope confirmation trial any time after a patent is granted under the Korean Patent Act, the generic exclusivity is given to the first generic company that files a trial or action "before" filing its generic approval application (this is different from the US system).

Period and Scope of Generic Exclusivity

How long is the generic exclusivity period?	12 months from the date when generic sales can begin.
What types of generic products sales are prevented by generic exclusivity?	Generic products having the same type and amount of active ingredient, dosage form, usage and dosage, and indication(s).

Duty to Submit Settlement Information

The draft legislation requires settlements involving the termination of trials and litigations which are related to notified generic products, or generic exclusivity, be provided to the MFDS and the Korea Fair Trade Commission within 15 days of the settlement.

Patent-Regulatory Approval Examination Committee ("PRAEC")

The draft legislation proposes the PRAEC which will be established under the MFDS to review the following:

- appeals of MFDS decisions such as decisions on patent listing, generic stay and generic exclusivity;
- patent listing cancellation trials; and
- generic exclusivity cancellation trials.

Prospects for the Draft Legislation and Korean Linkage System

Although the US Hatch-Waxman System was the basis for the Korean system, the draft legislation proposes a very different linkage system from the US system. Some of the major key differences are as follows:

Korean Linkage System	US Hatch-Waxman System
Publication of the PLAs	No such practice
Stay for generic sales	Stay of generic approvals
12-month generic stay period	30-month generic stay period
12-month generic exclusivity period	6-month generic exclusivity period

In particular, the "significant damage" requirement for the generic stay in the draft legislation will largely affect the entire linkage system depending on the MFDS' position on how it interprets the above requirement. Thus, we may need to monitor how the requirement will be finally stipulated in the Pharmaceutical Affairs Act and practiced by the MFDS.

Pharmaceutical Industry Update: Caution Needed in Reverse Payment Settlements

By Mee-Sung SHIM, H. Joon CHUNG and Ji Eun KIM

Let's consider this scenario: Company A sues Company B for patent infringement. Then they settle under terms in which Company B agrees *not* to produce the patented pharmaceutical products in exchange for a substantial sum of money. Because the settlement requires the patentee to pay the alleged infringer, rather than the other way around, this type of settlement agreement, typical in the pharmaceutical field, is often called a "reverse payment" settlement agreement. Not surprisingly, the Korean Supreme Court recently ruled that such settlements may violate the fair trade laws.¹ Coincidentally, the Korea Fair Trade Commission ("KFTC") had announced in March 2014 that it plans to require pharmaceutical companies to report settlements of drug patent disputes.

Applying Fair Trade Laws to Reverse Payment Settlements

While this decision, the first reverse payment case in Korea, talks in generalities, it provides a glimpse into how reverse payments would be judged in the future. *First*, patent rights do not shield these settlements from the scrutiny of the fair trade laws. Instead, the settlements should be analyzed under the "rule of reason," whereby a court must weigh the settlement's possible pro-competitive benefits against its potential anticompetitive effects. *Second*, reverse payments are not unlawful *per se* – that is, the KFTC needs more evidence than merely the existence of such an agreement; for example, collusion and anti-competitive effects must be proven. The court explained that each settlement will be judged "case-by-case," by considering the totality of the circumstances — for example, the settlement duration, the value of the economic benefits provided under the agreement, litigation costs, and any justifiable reason for providing the economic benefits.

Reverse Payments in the Context of the Korean Patent Linkage System

Reverse payment settlements must also be looked at in context of the patent linkage system that Korea is implementing in the wake of the Korea-U.S. Free Trade Agreement. The patent linkage system, similar to that of the U.S. Hatch-Waxman Act, is intended to streamline the introduction of generic drugs upon expiration of a patent. At the same time, the linkage system permits a generic manufacturer, who believes that a patent is invalid

or when the drug is about to go off patent protection, to file a generic application seeking approval of its generic alternative. If the patentee believes otherwise, it may file a patent infringement lawsuit against the generic company. Once the generic company wins the right to produce and begins marketing, it will have one-year of the exclusivity during which time no other generic company may enter the market.² A reverse payment settlement would delay the first generic company's commercial entry (or conceivably any other generic), benefiting the originator to maintain its exclusive or larger market share for the duration of the settlement agreement.

Larger Legal Implications to the Korean Pharmaceutical Industry

Including the recent Supreme Court ruling and the regulations implemented by the patent linkage system, the rules of engagement between originators and generics over the Korean pharmaceutical market are being drawn up. It is predicted that patent disputes — and, potentially, settlements — between originators and generics may become more prevalent. Among others, the pharmaceutical industry should note the following:

1. *A large settlement payment disproportionate to litigation risk can raise red flags.* Based on a "rule of reason," the Courts are likely to question settlements that include any of the following type of provisions: (i) cash payments from the patentee, except for reasonable litigation costs; (ii) supply purchase agreements; (iii) cross licensing; (iv) payments by the patentee for co-development projects; (v) compensation to the generic company for marketing/distribution agreements; and (vi) promises not to launch an authorized generic product.
2. *Settlement talks may commence much sooner in the drug life cycle.* A generic company, without an imminent threat of infringement allegation, may challenge the validity of a patent covering a drug

¹ See Supreme Court Decision Nos. 2012 Du 24498 and 2012 Du 27794, both rendered on February 27, 2014.

² The proposed length of the exclusivity, which will be implemented starting March 15, 2015, is one year.

at any time in Korea. The standing requirement for the challenger is minimal — mere proof that the challenger engages in pharmaceutical activities is sufficient. Thus, generic drug companies are likely to challenge a listed patent well in advance of the filing date of its generic application. In case of early patent skirmishes, the parties may likewise be compelled to discuss settlement sooner as well.

3. *Additional regulations related to the full implementation of the patent linkage system are still to come.* The Ministry of Food and Drug Safety will soon announce, among others, the rules for determining generic exclusivity. According to the proposed regulations, generic exclusivity is awarded to one who has (i) filed the first generic approval application; (ii) filed a trial or litigation before filing its generic approval application; and (iii) received a

favorable decision in the trial or litigation as a direct party.³ The current regulations, however, do not include specific rules on exclusivity. For instance, the mechanisms for triggering the exclusivity clock; "patent-based" or "product-based" exclusivity; and rules regarding waiver or relinquishment of exclusivity have yet to be determined.

With the confluence of the new developments, both originators and generics are entering an untested and complicated legal and regulatory terrain. Pharmaceutical companies are advised to conduct careful analysis of the potential exposures and gains before engaging in patent disputes.

³ Many issues have yet to be resolved regarding generic exclusivity. We will follow up with additional information as the generic exclusivity rules become clearer.

Historic USD 6 Million Award for In-Service Inventions Confirmed on Appeal

By Mikyung CHOE and Jack Eui-Hwan JUNG

On February 6, 2014, the Korean High Court affirmed the Seoul Central District Court's award of about USD 6 million for in-service inventions to a former Samsung Electronics ("Samsung") employee. More precisely, the award was for 10% of the royalties earned by Samsung from the in-service inventions. Neither party has filed any further appeals. Thus, the decision is now final.

The former employee (plaintiff) conducted research on HDTV signal processing during his 4-year employment with Samsung (defendant) from 1991 to 1995. During this time, the employee focused his efforts in image compression technology, closely related to the development of HDTV, and conceived a number of creative inventions directed to image compression. All of the inventions were patented under the name of Samsung and almost all were adopted as MPEG standards. After leaving Samsung, the employee received about USD 220,000 from the company as compensation for his in-service inventions. However, the employee subsequently filed a lawsuit against Samsung in 2010 demanding fair compensation, claiming that Samsung is profiting enormously from royalties derived from his inventions which were adopted as international standards.

At the district court level, the Seoul Central District Court rendered a decision in 2012 awarding the employee about USD 6 million as fair compensation for Samsung's profits derived from the royalties received until December 31, 2007. This was on top of the USD 220,000 Samsung had already paid to the employee (Seoul Central District Court, 2010 KaHap 41527, rendered November 11, 2012). In the decision, the court recognized that Samsung had received about USD 62.6 million in royalties for the employee's inventions and calculated a compensation amount of about USD 6 million. This equaled about 10% of the royalties Samsung had received. Significantly, the district court rejected Samsung's argument that (i) the employee relinquished his right to claim additional compensation by accepting the USD 220,000, and (ii) the statute of limitations for claiming compensation had expired.

Particularly notable aspects of this case were the amount of compensation awarded for the in-service inventions and the inventor compensation rate applied by the High Court. Specifically, in its decision to award compensation for the royalties earned by Samsung from January 1, 2008 to the expiration of the patent terms (exact amount undisclosed), the High Court indicated that the 10% compensation rate

used by the district court was fair. While the High Court did not provide any specific guidance or rationale regarding the compensation rate, the High Court affirmed the district court's 10% rate which had been calculated based on the following factors:

- The royalties obtained as a result of the in-service inventions being included in the MPEG standard pool represented Samsung's profits;
- The employee had substantial theoretical research and practical experience relating to the patents' underlying technology prior to his employment at Samsung;
- The patents were developed based on the employee's creativity;

- From Samsung's standpoint, substantial profits were generated from the added value attributable to the adoption of the employee's inventions as international standards; and
- Samsung's incentive guidelines during the relevant time stated that if the applicable royalty income is over 5 billion KRW (about USD 5 million), compensation for the inventor would be 10% of the royalty income.

In view of the large award amount, companies are encouraged to review their in-service remuneration policies to reduce the risk of invention remuneration liabilities and future litigations.

The Korean IP Correction System – An Important Tool for Your Enforcement Strategy Toolbox

By Chunsoo LEE, Tommy KIM and Miyoung NOH

The Korean Patent Act provides for a post-grant correction system for correcting errors and formalities in issued patent claims, specification and drawings. Amendments are limited by statute to those that (i) narrow claim scope, (ii) correct a clerical error, or (iii) clarify an ambiguous description. Further, corrections made to the patent must be supported by the original specification or drawings, and may not substantially expand or alter the scope of any of the original claims. However, recent developments in Korean IP law have increased the importance of post-issuance patent correction as an element of a patentee's overall strategy for enforcement, allowing a patentee to clarify the patented subject matter and address potential validity issues in advance of a dispute, as well as possibly to resolve weaknesses in its claim for infringement.

For example, Korean courts recently have relaxed their formerly strict position on what constitutes "substantially expanding or altering" claim scope, and thus appear to have opened up the types of amendments possible through correction. In a case involving a patent relating to images obtained by using rotation-symmetrical wide-angle lenses, the Supreme Court granted a correction to amend "X-Y plane" in the claims to "X-Z plane" as a "clear error" (Korean Supreme Court 2012 *Hu* 627, rendered February 13, 2014). The Court held that this was not a substantial alternation or expansion of claim scope, because such a

determination must be made in view of the whole patent disclosure, and not just the claims. In other words, because the correction did not change the intended objective and effect of the invention, and was fully disclosed in the original specification/drawings (and thus did not abridge the intervening rights of a third party), the correction did not substantially expand or alter the original claim scope.

Patent correction also may become increasingly important as a defense in infringement actions. It has become common in patent infringement lawsuits for alleged infringers to raise a defense of unenforceability as an abuse of patent rights, on the basis that the asserted patent is clearly invalid. However, it appears a correction proceeding may be able to negate this defense, as the Seoul Central District Court has recently ruled that an otherwise invalid patent remains enforceable if the grounds for invalidation can be overcome by a legitimate correction of the patent, even if a decision to grant correction has not yet become final and conclusive (Seoul Central District Court 2011 *Gahap* 138404, rendered February 5, 2013; and Seoul Central District Court 2012 *Kahap* 515, rendered May 20, 2013).¹

¹ See Kim & Chang Newsletters – Spring 2013 and Summer/Fall 2013.

It is important to consider the need for patent correction in advance of any enforcement effort, to avoid negative procedural complications. Under the Korean correction system, a patentee can correct the claims, specification or drawings of its registered patent in two ways, through either a "correction trial" or a "correction petition" filed with the Intellectual Property Tribunal ("IPT"). Where an invalidation proceeding relating to the patent at issue is already ongoing at the IPT, a "correction petition" (within the existing proceeding) rather than a "correction trial" (an independent proceeding) must be used. Although correction may be accomplished both ways, there are significant procedural differences between the two methods that can impact the patentee's IP strategy, most significantly in that a decision on a "correction petition"

is not final until the underlying invalidation proceeding is final, whereas a "correction trial" is a discrete proceeding that is appealed on its own schedule (and usually resolved more quickly in practice). As an accused infringer will typically file an invalidation action in response to an infringement suit, failure to consider in advance whether patent correction may be needed may result in added delay in resolving the patentee's rights.

In short, when used properly, IP correction proceedings in Korea can be a valuable tool for a patentee to obtain resolution of its patent rights in the most expedient way possible. Patentees may wish to consider correction proceedings at the outset as an integral part of their enforcement strategy in Korea.

Multiple IP Applications Related to a Single Product May Now Be Examined Together

By Sung Soo HWANG, Man-Kum LEE and Linda A. PARK

The Korean Intellectual Property Office ("KIPO") recently announced that batch examination is now available for all types of IP applications. Batch examination allows an applicant to pool together multiple IP applications related to a common product into one examination basket to be processed according to an applicant's designated timeline. By way of batch examination, the applicant can seek the examination of multiple applications within a unified examination timeframe that can be set according to the applicant's request. Applications that qualify for batch examination include patent and utility model applications, trademark applications and design applications.

Batch Examination Requirements

An applicant who has filed multiple IP applications related to a common product may file a request for batch examination. To qualify as a batch examination, all the IP applications should relate to a single product and each IP application in the batch should be waiting for a first office action. Thus, in the case of patent and utility model applications, a request for examination should already have been filed.

In addition, the IP applications should fall under one of the following categories: (i) applications are practiced or under

preparation of being practiced by the applicant in Korea ("Self-practice"); (ii) applications are directly related to the promotion of exportation; (iii) applications are filed by a venture business enterprise or a technologically innovative small or medium sized company qualified under relevant laws; or (iv) applications are derived from developments by an individual or creative company qualified under the relevant laws. Foreign applicants seeking batch examination will typically qualify under the first category of self-practice in Korea.

Procedure for Filing a Request for Batch Examination

An applicant must file a formal request along with evidence supporting the grounds for requesting batch examination. In the case of self-practice, in principle, an applicant may submit evidentiary documents such as photographs, product manuals, invoices or other documents showing that the applications are practiced or under preparation of being practiced by the applicant. Alternatively, instead of submitting evidentiary documents to KIPO and to avoid such documents from becoming of record, the applicant can present evidence during a mandatory technical session with the examiner or examiner panel where the qualifications for batch examination will be reviewed.

Additionally, the applicant is required to set a desired timeline at the time of filing a request for batch examination. For instance, the applicant should designate (i) a date for a mandatory technical session with the examiner(s) within seven to fourteen days after filing the request for batch examination, (ii) an examination undertaking date, which is fourteen days after the technical session date (this is the date when the examiner(s) is expected to issue a first office action), and (iii) an examination closure date, which is between three months to one year after the undertaking date.

Once a request for batch examination has been filed and it undergoes a formality review, the applicant will be assigned a date for the mandatory technical session based on the applicant's designated timeline. The examiners assigned to examine the applications may also be required to attend the technical session. An examiner assigned to an application in the bundle is expected to follow the unified timeline for the examination designated by the applicant. An examiner is also expected to close the examination (either by issuing a notice of allowance or a notice of final rejection) by no later than the closure date. However, there are exceptions for going beyond the designated timeline, for example, if the examiner finds new grounds that necessitate a search for additional prior art or is compelled to issue an additional preliminary rejection (i.e., non-final office action).

Technical Session for a Request for Batch Examination

During the mandatory technical session, an applicant should explain which IP applications should be bundled for the batch examination, along with evidence to show that the bundled IP applications relate to a single product. The examiner(s) then decides whether to grant the batch examination and which applications qualify for the batch examination. The examiner(s) may also set the expected undertaking date and closure date based on the applicant's designated timeline.

Concurrent Filing of a Request for Expedited Examination

If an applicant requests an undertaking date that would require an office action to be issued at least three months sooner than the typical wait time for an office action for a patent or utility model application (and at least one month sooner for a trademark or design application), the examiner may request the applicant to file a request for expedited examination for the application. If an applicant fails to request expedited examination after being requested to do so by the examiner, the application may be excluded from the batch examination process.

Commentary on the Benefits and Risks of Batch Examination

Using the batch examination system will allow an applicant to coordinate the timing for obtaining multiple IP rights with a product's launch schedule so that the applicant can appropriately protect new products. Moreover, the batch examination will also streamline the examination process while making it faster and more consistent.

In the case of "self-practice" for a patent, utility model, or design application, an applicant can reduce the burden of showing evidence of "self-practice" by opting to present such evidence in-person to the examiner during the mandatory technical session, instead of submitting the evidence to KIPO. This should be considered if there are any concerns that the evidentiary documents may include trade secrets.

However, given that the batch examination was recently introduced, there is no data on whether the success rate for applicants in batch examinations are any higher than under normal examination.

Moreover, there are no detailed guidelines regarding how to determine the relevancy between applications and a product. Relevancy to a single product may cover multiple technologies utilized by the single product. Thus, we will have to wait and see how KIPO determines the relevancy in a diverse range of products embodying multiple technologies.

Korea Fair Trade Commission Announces Closer Review of Non-Practicing Entities

By Hye Joo MIN and Hun Shik KIM

The Korea Fair Trade Commission ("KFTC") is expected to take a closer look at potentially abusive practices of non-practicing entities or NPEs this year. On February 20, the KFTC reported its work plan for 2014 to President Park Geun-hye. The KFTC outlined five core policy objectives, one of which is the facilitation of an innovation-fostering market environment. As a step towards achieving this goal, the KFTC will focus on preventing abusive patent assertions by NPEs.

The KFTC's work plan specifically mentions two growing concerns: (1) the excessive exercise of patent rights by companies that used to manufacture and sell products on a global scale but are now behaving more like NPEs; and (2) the impediment to competition and innovation should NPEs acquire and abuse standard essential patents. In this regard, the KFTC indicates that it will monitor developments made in the U.S. and the E.U. in regulating

NPEs and closely examine the impact of NPE activities on competition. The work plan also notes that the U.S. Fair Trade Commission began a status review of NPEs in September 2013.

Given the above, two possible KFTC developments can be anticipated this year. First, the KFTC may amend the Review Guidelines on Unfair Exercise of Intellectual Property Rights, as it has publicly announced a few times in recent years, to provide further guidance on the types of NPE activities that may be subject to Korea's fair trade laws. Second, the KFTC may conduct an investigation into potential intellectual property right abuses by NPEs and operating companies involved with NPE activities. Exactly how the KFTC will proceed and which companies it will focus on remains to be seen.

KIPO/KTC 2013 Survey on Intellectual Property-Related Activities in Korea Now Available

By Sang Yep SONG and Hye Joo MIN

The Korean Intellectual Property Office ("KIPO") and the Korea Trade Commission ("KTC") jointly published the 2013 Survey on Intellectual Property-Related Activities in Korea last December. The 2013 survey is available in Korean and can be downloaded from their websites.¹

This annual survey aims to provide IP-related statistical data and information to help Korean companies, universities and public institutions make decisions and establish strategies related to IP. Some noteworthy statistics related to patent infringement disputes include:

- 5.6% of Korean companies suffered IP infringement in 2012. When broken down by the type of IP infringed, 2.9% of Korean companies suffered patent infringement; 0.4%, utility model infringement;

1.5%, trademark infringement; and 1.4%, design infringement.

- In cases where Korean companies pursued legal measures to protect their IP, 33% of the cases were resolved within a year; 33.7% of the cases were resolved within 1-2 years.

The total estimated amount of damage awards and settlement payments in 2012 was roughly 56.7 billion Korean won (approximately USD 51.5 million). This means victims of IP infringement recovered, on average, 160 million Korean won (approximately USD 145,000) per company.

¹ http://www.ktc.go.kr/file/db/pdf/PR/PR334_20131209.pdf.

Free Machine Translations of Korean Patents Now Available from KIPO

By Linda A. PARK and Yong Nam LEE

As of January 3, 2014, the Korea Intellectual Property Rights Information Service ("KIPRIS") began providing a free Korean-to-English machine translation service of published and registered Korean patents and utility models. KIPRIS is an online intellectual property information search service provided by the Korean Intellectual Property Office ("KIPO"). KIPRIS covers all aspects of Korean IP information including patents, utility models, designs, and trademarks.

The free machine translation service can be accessed from the KIPRIS website at <http://eng.kipris.or.kr/enghome/main.jsp>. The free Korean-to-English machine translation service will make it much easier to access Korean patents, utility models and published applications in a more cost-efficient manner. The KIPRIS website, available in both Korean and English, is user-friendly, has up-to-date information (since

it is regularly updated by KIPO), and uploads searched content in a matter of seconds.

As is the case with other machine translation services, e.g., from the Japan Patent Office, there are limitations to machine translations. Since the KIPRIS machine translation service translates the Korean text into English word for word, the quality of the machine translation depends on the drafting quality of the reference in Korean. Thus, a machine translation may not be sufficient to fully understand the disclosure of a Korean patent reference. If a higher quality English translation is needed, it would be better to utilize in-person translation services, such as provided by Kim & Chang, to translate all or portions of the target Korean patent.

TRADEMARK, DESIGN & COPYRIGHT

Korea Joins the Hague Agreement, Amends Design Act

By Sung-Nam KIM, Nayoung KIM and Inchan Andrew KWON

The Korean Intellectual Property Office recently announced that Korea deposited its instrument of accession to the Geneva Act of the Hague Agreement Concerning the International Registration of Industrial Designs ("Hague Agreement") with WIPO. The procedures of the Hague Agreement will be effective in Korea as of July 1, 2014. Further, new amendments to the Korean Design Protection Act ("Act") will go into effect on July 1, 2014.

Overall, these amendments will provide greater protection for parties that apply for design rights, and also make the design application process easier and more practical. We anticipate that more companies and individuals will utilize design registrations as an added tool to help protect and maintain their intellectual property interests in Korea. Some of the more notable changes are briefly discussed below.

1. Implementation of International Design Applications

Similar to the PCT for patents or Madrid Protocol for

trademarks, international applications for designs may now be filed through a single application pursuant to the Hague Agreement. Specifically, it will be possible to forward a single design application to WIPO while designating several countries for registration of the design.

2. Extension of Protection Period

The duration of a design right under the amended Act has been extended from fifteen years from the registration date to twenty years from the application date.

3. Reduction of Designs Eligible for Non-Examination (Partial Examination)

The current Act allows applicants to file "non-examination" applications for designs of food, clothing, shoes, fabrics, bedding, calculators, stationery, computer graphics, icons, etc. (which will then be registered after a very basic review of formalities). However, the amended Act will reduce the

types of goods that are eligible for non-examination as follows:

<Class 2> Clothing and fashion items
E.g., underwear, lingerie, corset, brassiere, pajama, clothing, hat, shoes, socks, stocking, tie, scarf, muffler, handkerchief, gloves, etc.
<Class 5> Fiber, sheet and fabrics
E.g., spun articles, lace, needlework, ribbon, string for ornamental purpose, fabric, sheets, etc.
<Class 19> Stationery, office supplies, fine art materials
E.g., writing paper, letter, card, stationery, calendar, book, note, fine art materials, printed matter, office supplies, etc.

Thus, designs for food, bedding, curtains, computer icons or graphics are no longer eligible for non-examination. Applicants who wish to take advantage of the non-examination procedure for such designs must do so before July 1 of this year.

Please also note that "non-examination" of a design will be referred to as "partial examination" after the amendment goes into effect.

4. Adoption of Related Design System

The current Similar Design system is abolished under the amended Act. The purpose of the similar design registration practice was to make clear the scope of what is similar to an earlier-filed principal design by requiring similar designs by the same registrant to be separately registered, and as a result such similar design registrations could not be maintained if the principal design registration was itself invalidated.

The new amendment instead adopts a "Related Design" system, recognizing an independent scope of protection and duration for a Related Design, and thereby strengthening the protection for designs similar to an original design. An application for a Related Design must be filed within one year of the filing date of the application for the original design. Unlike the Similar Design system, a Related Design will continue to remain valid even if the original design is invalidated. However, the protection period of a Related Design remains identical to that of the original design.

5. Claiming Exception to Public Disclosure

To be valid, a design application generally cannot have been made public prior to the filing date of the application. However, an exception is available if the design application is filed within six months of a public disclosure.

Presently, applicants must state their intention to claim this exception at the time of filing the application. The

applicant must also submit documentation of the public disclosure within thirty days of filing the application. However, with the amended Act, the above exception to loss of novelty can be claimed even after filing the application, e.g., when an examiner issues a preliminary rejection or when a third party files an opposition or invalidation action.

6. Changes to the Multiple Design System

The current Act allows up to 20 multiple designs in one application, but only for designs which are designated for non-examination (non-examination applications are generally used for designs that are subject to rapidly changing trends, and are registered after inspection of only very basic formalities). The amended Act allows up to 100 designs for one application under the same class, regardless of whether the designs are subject to examination.

In addition, pursuant to the new amendments, requests to keep a design secret or to lay open an application do not have to apply to the entire group of multiple designs. Further, registration may be granted or denied as to a portion of multiple designs only.

7. Improved Procedure for Filing Applications

Under the amended Act, examiners will no longer return design applications for re-filing due to substantive errors. Instead, the applicant may simply supplement the application, and the date of supplementation will become the new filing date.

8. Discretionary Revisions to Applications by the Examiner

Under the amended Act, the examiner now will have the authority to make revisions to the application if there is an obvious error (e.g., typographical errors).

ANDROID Dessert Trademark Violates Google's Rights, Patent Court Holds

By Young Joo SONG and Nayoung KIM

Google, Inc. names each major version of its Android operating system after a dessert (such as Cupcake, Donut, Éclair, Froyo, etc.). Now, in a recent decision involving the invalidation of an adverse registration for the Korean transliteration of the "Android" mark, the Patent Court has recognized Google's practice as a basis for acknowledging an economic relationship between the Android operating system and desserts/beverages in Classes 30 and 32.

On April 1, 2010, Neowiz Games Corporation ("Neowiz") filed a trademark application for "안드로이드," the Korean transliteration of "Android," in relation to stationery goods in Class 16, toys in Class 28, desserts in Class 30 and beverages in Class 32. Neowiz obtained a registration for the mark in Classes 16, 30 and 32 in August 2011.

Google subsequently filed a petition to invalidate Neowiz's registration, based on the fame of its "Android" mark and Neowiz's bad faith intent. However, the Intellectual Property Tribunal ("IPT") dismissed the petition, finding that the designated goods under Classes 16, 30 and 32 lacked a close economic relationship with the goods where Google has used its "Android" mark, and that Neowiz's bad faith intent therefore could not be established.

Google appealed the IPT decision to the Patent Court,

which reversed the IPT decision and invalidated the "안드로이드" mark (Case No. 2013huh8307, decided on February 6, 2014).

The Patent Court concluded that Google's "Android" mark was already famous at the time Neowiz filed for the "안드로이드" mark, by considering the development of the Android operating system, Android's market share, continuous media exposure regarding Android, as well as the existence of the Google Store, which sells stationery-related goods. The Patent Court further ruled that the compared marks are identical in pronunciation, and that even though the mark "Android" is not a coined mark, there is no example of its use as a source identifier except in connection with Google. The Patent Court went on to rule that an economic relationship for trademark purposes exists not only between Android and stationery (due to sales of stationery bearing "Android" at the Google Store), but also for desserts and beverages, on the basis of Google's dessert naming convention for Android versions.

As a result, the court recognized the fame of Google's mark "Android" and ruled that Neowiz had a bad faith intent to free-ride off the goodwill of the mark, and held that the subject registration should be invalidated.

No Goods Left Behind: Invalidating Bad Faith Filings


By Alexandra BÉLEC and Seok Hyun KWON

The Supreme Court recently overturned two decisions by the Patent Court, which only partially invalidated bad faith registrations similar to well-known marks. In both cases, the Patent Court invalidated the registrations only as to goods/services economically related to goods/services covered by the well-known marks, while leaving them valid for goods/services that had no such economic relationship. The Supreme Court's decisions in the 바비퀸 ("Barbie Queen" in Korean transliteration) case (Case No. 2013Hu1986 rendered on January 23, 2014) and ~~LV~~ case (Case No. 2013Hu2484 rendered on February 27, 2014) send a strong signal to lower level courts that similar

registrations which are found to have been filed with unfair competitive purposes should be invalidated in their entirety, not only for goods/services specifically related to the famous mark.



Invalidation Ground for Bad Faith Filings

Under Article 7(1)(xii) of the Korean Trademark Act ("TMA"), it is possible to invalidate a mark which is similar to a mark already known to consumers as another's identifier on the basis that it was filed with an unfair competitive purpose (i.e., in bad faith).

When this provision was first introduced in the TMA, Korean courts evaluating the bad faith element would take into consideration several factors, including whether the designated goods/services of the attacked mark were similar to the goods/services associated with the source identifier. At first, courts would commonly invalidate marks under this provision entirely even if the compared goods/services were dissimilar and had no economic relationship. Over time, and particularly in the last few years, courts have increasingly demanded evidence of an economic relationship between the compared goods/services before invalidating a mark in full. The Patent Court's recent decisions in the 바비퀸 ("Barbie Queen") and  cases amply illustrate this new tendency.

No More Goods Left Behind

In the 바비퀸 ("Barbie Queen") case, the Patent Court invalidated the bad faith 바비퀸 filing as to most of its designated goods and services based on the mark's similarity to the famous BARBIE mark. However, the Patent

Court refused to invalidate the 바비퀸 mark for services that the owner of the BARBIE mark had been unable to prove were economically related to the goods and services sold under its brand, such as "Correspondence courses" and "Tattooing, Visagists' services, etc." In the  case, the Patent Court only partially invalidated the challenged mark as to certain goods, based on the fame of the Louis Vuitton  mark, but affirmed the validity of the challenged mark for "gut for making sausages, goods for pet animals, sticks, and harness, etc."

The Supreme Court vacated both decisions, indicating that a similar registration filed in bad faith should be invalidated in its entirety even if some of the designated goods/services for the challenged registration are not economically linked to the goods/services sold in connection with the other party's source identifier.

Both cases have been remanded to the Patent Court for review based on the Supreme Court's decisions.

"N" Means New Life for Non-Distinctive Portions

By Sung-Nam KIM and Alexandra BÉLEC

The Supreme Court *en banc* ruled that a mark similar to an inherently non-distinctive portion of a registered mark, which had acquired secondary meaning in the Korean market place after registration, falls within the scope of protection of the registered mark (Case No. 2011hu3698, rendered on March 20, 2014).





The facts: New Balance vs. Unistar



New Balance obtained a registration for the following device mark in 1984:



A competitor, Unistar, later started using the  mark for its shoe products in the Korean market.

New Balance subsequently filed a scope confirmation action at the Korean Intellectual Property Office, which is an administrative action available under Korean law, to determine whether the use of Unistar's mark on shoe products fell within the scope of protection of New Balance's trademark registration. The case was eventually appealed up to the Supreme Court.


In its ruling, the Supreme Court noted that at the time New Balance's mark was registered, the  portion was not distinctive as merely the shape of a shoe, and the  portion was also not itself sufficiently distinctive to be granted registration. However, due to the extensive use by New Balance of the  portion on its products, the Supreme Court acknowledged that the  portion of the mark had acquired secondary meaning beginning in 2009.

As the Supreme Court further found that the  portion of Unistar's mark was similar to the  portion of New Balance's registered mark, the Supreme Court concluded that Unistar's mark fell within the scope of protection of New Balance's registration.

Thus, the Supreme Court has established the principle that even if a registered mark or a portion of a registered mark has weak or no distinctiveness at the time the mark is granted registration, said mark or portion of the mark may later acquire distinctiveness due to the use of the registered mark as a whole or in part, which must be considered in

any later scope confirmation trial involving the mark.

Major Change in the Korean Practice

The Supreme Court acknowledged that this ruling was a major change to its jurisprudence, noting in its ruling that this decision overruled its previous 2007 decision in the A6 case (Case No. 2005hu728, rendered on December 13, 2007). In this prior decision, the Supreme Court had ruled that the  mark did not fall within the scope

of protection of the  mark, the A6 portion of the

latter mark being non-distinctive at the time registration had been granted for the mark. The court reached that decision despite the fact that the A6 portion of the registered mark had subsequently acquired secondary meaning in the marketplace.

This major change in Korean practice significantly broadens the scope of protection for owners of registered marks comprising inherently non-distinctive portions, since the owners' use of the marks may now lead to protectable secondary meaning even in such originally non-distinctive portions.

"Free" Software May Be Expensive Infringement of Copyright

By Chang Hwan SHIN and Jeehyun Julia KIM

A recent ruling from the Seoul Central District Court has highlighted the dangers to companies of failing to supervise their employees' installation and use of software for work purposes in violation of the software license terms. The February 21, 2014 ruling held that employees' use of "free for personal use" software at work without paying the requisite license fees rendered the employees' company liable for copyright infringement (Case No. 2013GaHap25649).

The software in question was originally offered free for any use, but a newer version of the software changed the program license terms to require licensing fees from corporate users while remaining free for personal use. Users who had previously installed the original version were prompted by the software to upgrade by clicking through one dialog box which installed the newer version, and then clicking through another which asked users to accept the new license terms. Several companies whose employees continued to use the newer version of the software without paying the license fee were warned that they were committing copyright infringement and asked to pay damages, which led to the companies filing for a confirmatory judgment of no infringement at the Seoul Central District Court.

As an issue of first impression, the Court held that the temporary storage of a computer program in memory through executing the program constitutes "reproduction" under the Copyright Act (which is defined as "the fixation of works or the reproduction of works in tangible media of expression by means of printing, photographing, photocopying, sound or visual recording or other means, temporarily or in perpetuity"). In this case, because the upgraded software was installed before the new software

license was accepted (in other words, under the existing license), the act of installing the software itself (and thus "reproducing" the software) could not be copyright infringement. However, the Court found that when the software was executed, the "fixation" of the executed program (even temporarily) to the "tangible medium" of computer random-access memory (RAM) was sufficient to constitute a separate "reproduction." Therefore, the Court found that any unauthorized use of the software in question after installation (i.e., under the new license terms) would constitute copyright infringement. As a result, the Court awarded the software maker KRW 20,000 (approximately USD 20) per copy made of the program in damages.

The Court rejected the companies' argument that such temporary storage in memory was exempt from copyright infringement under Article 35*bis* of the Copyright Act, which permits certain types of temporary reproduction during use of a computer "for smooth and efficient information processing." The Court held that this article was intended to address acts such as incidental buffering and caching of computer information necessary to view digital content on the internet (e.g., streaming), and not the act of running a program in computer memory in general (which is an act of independent economic value).

While the case is currently being appealed, the District Court's ruling highlights the risks that can accrue to a company through employees' unpaid use of "free for personal use" software, which is typically fully usable even without paying any fees, and addresses a number of previously-open questions in Korea regarding the application of copyright law to the use of computers and software.

FIRM NEWS

AWARDS & RANKINGS

Top tier for 5 practice areas and recognition of 27 leading individuals - Chambers Global 2014

In the Chambers Global 2014 Guide, a leading global law firm directory published by Chambers & Partners, Kim & Chang has been ranked as a top firm (Band 1) in Korea in the following 5 practice areas:

Banking & Finance, Corporate/M&A, Dispute Resolution: Arbitration, Dispute Resolution: Litigation, **Intellectual Property**

In addition, 27 Kim & Chang professionals earned individual recognition for their expertise in their respective practice areas. In the Intellectual Property practice area, **Duck-Soon Chang, Sang-Wook Han, Jay J. Kim, Young Kim, Man-Gi Paik, Chun Y. Yang, and Jay (Young-June) Yang** were recognized as "Leading Individuals," **Nayoung Kim** as an "Associate to Watch," and **Martin Kagerbauer** as a "Foreign Expert (Germany)" in Korea.

Top tier for 12 practice areas and recognition of 44 leading individuals - Chambers Asia-Pacific 2014

In the Chambers Asia-Pacific 2014 Guide, a leading legal directory published by Chambers & Partners, Kim & Chang has been ranked as a top firm (Band 1) in Korea in the following 12 practice areas:

Banking & Finance, Capital Markets, Competition/Antitrust, Corporate/M&A, Dispute Resolution: Arbitration, Dispute Resolution: Litigation, Employment, Insurance, **Intellectual Property**, Restructuring/Insolvency, Shipping, Technology, Media, Telecoms (TMT)

In addition, 44 Kim & Chang professionals earned individual recognition for their expertise in their respective practice areas. In the Intellectual Property practice area, **Duck-Soon Chang, Sang-Wook Han, Jay J. Kim, Young Kim, Man-Gi Paik, Chun Y. Yang, and Jay (Young-June) Yang** were selected as "Leading Individuals," **Nayoung Kim** as an "Associate to Watch," and **Ann Nam-Yeon Kwon and Hye-Suk Wee** as "Recognized Practitioners."

Kim & Chang ranked again as Tier 1 firm in Korea in MIP World IP Survey 2014

Kim & Chang has once again been recognized as a Tier 1 firm in Korea in every category covered – patent prosecution, patent contentious, trademark prosecution, trademark contentious, and copyright – by the Managing Intellectual Property (MIP) World IP Survey 2014. This

marks the 12th consecutive year that Kim & Chang has received this honor.

MIP identifies leading law firms based on extensive research and in-depth interviews with IP practitioners and clients worldwide.

Kim & Chang named Contentious Firm of the Year for Korea at MIP Global Awards 2014

Kim & Chang has been named "Contentious Firm of the Year for Korea" at the Managing Intellectual Property (MIP) Global Awards 2014. The awards ceremony was held in London on March 19, 2014, and **Alexandra Bélec**, a trademark attorney in the firm's IP Group, attended the ceremony.

MIP, part of the Euromoney Legal Media Group, is the leading source of news and analysis on all IP developments worldwide. The MIP Global Awards are made on the basis of extensive research and interviews with IP owners and professionals worldwide.

Kim & Chang receives Country and State Awards for Korea at Who's Who Legal Awards 2014

Kim & Chang has won the Country and State Awards for Korea at the Who's Who Legal Awards 2014. The ceremony was held in New York on March 31, 2014 to honor the world's leading law firms and lawyers recognized.

Who's Who Legal is published by Law Business Research Limited, an independent London-based publishing group providing research, analysis, and reports on the international legal services marketplace. Since 1996, Who's Who Legal has identified the foremost legal practitioners in multiple areas of business law.

Jay (Young-June) Yang wins Client Choice Award 2014 - International Law Office (ILO) and Lexology

Jay (Young-June) Yang has been named the exclusive winner of the 2014 Client Choice Award in the Intellectual Property: Patents category for Korea by The International Law Office (ILO) and Lexology.

Established in 2005, Client Choice recognizes those law firms and partners around the world that stand apart for the excellent client care and the quality service they provide. Each year, Client Choice selects winners based on thousands of individual assessments received worldwide.