

Newsletter

CONTENTS

PATENT

1. Recent Korean Supreme Court Decisions Clarify Standard for Patentability & Claim Construction of Product-By-Process Claims
2. Patent for Top-Selling Drug in Korea Upheld
3. KIPO Introduces New Patent Examination Programs
4. KFTC Amends IPR Guidelines
5. Supreme Court Denies Withholding Tax on Royalties for Foreign Patents
6. No Refund of Previously Paid Royalties Even After Patent is Invalidated
7. Employee's Improper Assignment of In-Service Invention May Breach Duty of Care

TRADEMARK, DESIGN, COPYRIGHT & UNFAIR COMPETITION

8. Another Victory for Hermès in Korea
9. Changes to the Korean Trademark Examination Guidelines in 2015
10. Supreme Court Rejects KIPO's Review Practices for 3D Marks
11. Using Copyright to Protect Logos from Unauthorized Use as Trademarks

FIRM NEWS

EDITORS:

John J. KIM
Inchan Andrew KWON

PATENT

Recent Korean Supreme Court Decisions Clarify Standard for Patentability & Claim Construction of Product-By-Process Claims

By Kyeong Tae KANG, Sung Eun KIM, Tommy KIM and Inchan Andrew KWON

Traditionally, the Korean Supreme Court has held that the patentability of a product-by-process claim should generally be determined in view of the specific structure of the claimed product, without considering the recited process itself, unless there are special circumstances where the product can only be defined by the process by which it is made (Supreme Court Decision 2004 *Hu* 3416, rendered on June 29, 2006). However, in a recent Korean Supreme Court decision (Supreme Court Decision 2011 *Hu* 927, rendered on January 22, 2015, *en banc*), the Court modified its previous approach to evaluating product-by-process claims by indicating that it is the structure and properties of the product alone, and not the process, that is relevant to the patentability inquiry, without exception. However, since the Court also states that all descriptions in the patent, including regarding the process recited in a product claim, are relevant to defining the structure, properties, etc., of the final product, it appears under the Court's new guidance that the process must still be considered when assessing the novelty and inventiveness of a product-by-process claim, even if the process itself is not a claimed element.

The Supreme Court's decision resolves a number of inconsistent decisions from the Patent Court regarding how to construe product-by-process claims "without considering the recited process itself." In some decisions the Patent Court has ignored process features altogether, while in other decisions the Patent Court appears to treat them as a way to determine the claimed product's structure or properties.

Due to the unpredictability of inventions in the biotechnology or chemical arts (e.g., claims directed to polymers, mixtures, metals, etc.), it is often impossible or impractical to define the structure or properties of such products directly, but only by reference to the process by which they are made. Under the Supreme Court's previous jurisprudence, if such a product was claimed using a product-by-process format claim, this would be a "special circumstance" in which the specific process of manufacture used would be construed as an element of the invention, and would limit the invention accordingly. Now, the Supreme Court has indicated that process features are merely one way to specify the structure or properties of the final product. Thus, if it becomes possible after the filing date to directly determine the structure or properties of the product through means other than the process specifically recited in the claim, any products determined to have the same structure

and properties as the claimed product through such new means would still be within the scope of the claim.

Further, another recent Supreme Court decision (Supreme Court Decision 2013 *Hu* 1726, rendered on February 12, 2015) held that the same principles set forth in the Supreme Court Decision 2011 *Hu* 927 discussed above generally apply in determining the claim scope of product-by-process claims for infringement purposes. That is, the process steps are not to be treated as additional limitations that must be present in an accused product for

infringement to occur, unless "the claim scope drawn from such an interpretation is clearly unreasonable (e.g., unduly exceeds the scope supported by the specification disclosure as a whole), [in which case] the claim scope may be limited to the process features recited in the claims."

In view of the above, patent applicants should take care when describing the process of manufacture of a claimed product in a patent, since even if they are not specifically claimed, such process features may be considered to affect the structure or properties of the claimed product.

Patent for Top-Selling Drug in Korea Upheld

Mee-Sung SHIM, Jay J. KIM and H. Joon CHUNG

Starting the year in pharmaceutical patents off with a bang, the Intellectual Property Tribunal ("IPT") of the Korean Intellectual Property Office (KIPO) upheld the validity of a patent covering the active ingredient (entecavir) of the top selling drug in Korea, BMS' hepatitis B drug Baraclude®. Seeking to launch their generic versions of the drug before the expiry of Korean Patent No. 160523, an entecavir compound patent, the two generics Hanmi and Daewoong had challenged the inventiveness of the patent. Notably, the IPT's ruling comes in the wake of a 2014 U.S. Federal Circuit decision invalidating the counterpart U.S. patent for obviousness.

The person of ordinary skill would not have been motivated to combine the prior art

The main issue disputed in the case related to the lead-compound approach. The generics argued that a person skilled in the art would have selected a certain lead compound from the prior art, and then combined it with a second compound embodying the functional groups for the necessary modification, with a reasonable expectation of success at conceiving an effective antiviral compound. The IPT disagreed, noting that the significant difference in mechanism-of-actions between the lead compound and second compound meant that there would have been no motivation for a person of ordinary skill to combine such prior art to arrive at entecavir.

Entecavir's "remarkable" effects

The inventiveness question also hinged on whether data prepared after the patent filing could be cited by the patentee to support entecavir's inventive effects. While entecavir was shown to have 13.3 times greater anti-HBV activity over the lead compound, the generics argued this evidence should not be allowed because the data was generated after the patent filing date. The IPT also rejected this argument, citing Supreme Court precedent that even without an explicit disclosure or corresponding data in the patent, any inferences of such effects in the patent should allow the use of post-filing data to support inventiveness, particularly for a chemical compound invention.

BMS' 2013 annual report noted that the worldwide sales of Baraclude® were US\$1.5 billion. Due to its blockbuster sales, the patent has had no shortage of generic challengers. Hanmi and Daewoong were the first two of seventeen generics to file challenges to the validity of the patent.

BMS was represented by Kim & Chang.

KIPO Introduces New Patent Examination Programs

By Young Hwan YANG, Jee Yeon HAN and Tommy KIM

The Korean Intellectual Property Office ("KIPO") has recently established a number of patent examination procedures, including preliminary examinations, proposed amendment reviews and batch examination programs, as part of its new patent examination services referred to as "Patent Examination 3.0." These new procedures, a brief introduction of which are provided below, have been implemented by KIPO to improve the agency's interaction with the public, as well as offer accurate examination services customized to meet the needs of applicants. Below is a brief introduction of the preliminary examination and proposed amendment review programs (see "Multiple IP Applications Related to a Single Product May Now be Examined Together" in our Spring 2014 IP Newsletter for details on the batch examination program).

1. Preliminary Examination Program

Under the preliminary examination program, applicants are able to discuss the application with the examiner before examination begins. The objective is to encourage more accurate examinations and quicker prosecution times. To be eligible, applicants must first request expedited prosecution. Moreover, the application must involve a high level of technical difficulty according to the IPC (International Patent Classification) listed on KIPO's website.

Further, the applicant must file a request for preliminary examination within 14 days of receiving acceptance of the expedited examination request, indicating 3 preferred days (along with the preferred times) for conducting the in-person interview. The interview dates must be within 3 to 6 weeks from the date of request for preliminary examination. The applicant also has the option to submit a preliminary amendment to the examiner before conducting the interview.

This program will give applicants an opportunity to help the examiner better understand difficult or complex inventions, hopefully leading to better and faster examination results.

2. Proposed Amendment Review Program

Under the proposed amendment review program, the applicant may discuss a proposed amendment through an examiner interview prior to the filing of a response to an office action. The program allows the applicant to submit a proposed amendment before conducting the examiner interview to provide the examiner with time for review and preparation of the applicant's submission. An applicant must file a request for the interview together with the proposed amendment at least one month before the deadline for filing the response. The objective behind this procedure is to improve the chances of the application being allowed and to facilitate a more thoughtful and productive examination of the application.

Similar to the preliminary examination program above, the applicant must also indicate 3 preferred days (along with the preferred times) for conducting the in-person interview, which must be within 2 to 3 weeks from the date of the request for the interview.

This program may be useful for important applications in which an applicant would like to obtain the examiner's official position on a proposed amendment before filing a response to an office action. However, as discussions during the examiner interviews are recorded and the recordings are made available to the public in the electronic file wrapper, applicants should be careful of the statements made at the interviews in view of estoppel concerns.

KFTC Amends IPR Guidelines

By Duck-Soon CHANG, Chun Y. YANG, Ji Eun KIM and Inchan Andrew KWON

The Korea Fair Trade Commission ("KFTC") made significant amendments to its "Guidelines on the Examination of Unfair Exercise of Intellectual Property Rights" ("Amended IPR Guidelines" or "Guidelines") on December 17, 2014, effective as of December 24, 2014. The Amended IPR Guidelines reflect the KFTC's active interest in applying competition law against the "unfair exercise" of intellectual property rights.

The main aspects of the Amended IPR Guidelines are as follows:

New Guidance Regarding Injunctions for Standard Essential Patents ("SEPs")

The Amended IPR Guidelines provide some new guidance regarding when injunctions for SEPs are appropriate, which appear to seek a balance between the interests of both SEP holders and technology implementers, stating that an SEP holder is not automatically required to grant a license to third parties, but since an SEP holder who provided a FRAND commitment is obliged to engage in good-faith negotiations, an injunction against a "willing licensee" may be determined as anti-competitive.

The Amended IPR Guidelines provide some details on the standards for what would constitute good-faith negotiations on the part of the SEP holder, but relatively little guidance as to what is meant by a "willing licensee." The Guidelines do mention the possibility of "reverse hold-up" by "unwilling licensees," and give examples of situations where an SEP holder's injunction is less likely to be held as anti-competitive. However, the examples are fairly narrow in scope, such as when a potential licensee refuses to be bound by or to comply with FRAND terms determined by a court or arbitral institution, or when an injunction is the only meaningful remedy because it is difficult to recover damages from a potential licensee for some reason, such as the imminent bankruptcy of the potential licensee.

The Guidelines continue to include provisions regarding what constitutes abuse by the SEP holder of the standardization procedure, or what license terms may be deemed unfair and beyond the legitimate scope of an SEP, as follows:

- (1) An act of unfairly agreeing on certain terms, such as price, quantity, territory, counterparts, and

restrictions on technology improvements, etc., during the consultation for selection of standard technology;

- (2) An act of unfairly not disclosing information about patent applications or patents in order to increase the possibility of being selected as a standard technology or to avoid prior consultation on license terms;
- (3) An act of unfairly avoiding or circumventing licensing on FRAND terms in order to strengthen monopolistic power in the relevant market or to exclude competitors;
- (4) An act of unfairly refusing to grant licenses for an SEP; or
- (5) An act of discriminating with respect to offered SEP license terms, or of imposing a royalty at an unreasonable level, thereby restricting competition.

New Provisions Concerning Non-Practicing Entities ("NPEs")

Rather than using the term "NPEs," the Guidelines use a new term, Enterprisers Specializing in Patent Management ("ESPM"), which is defined as any person or entity engaging in the business which generates profits through the exercise of patent rights against technology implementers without themselves engaging in either the manufacture or sale of goods or the provision of services using the patented technology. The Guidelines enumerate a number of acts that are potentially abusive, especially when engaged in by ESPMs (though such acts by non-ESPMs may also be abusive), as follows:

- (1) Imposition of markedly unreasonable royalties in light of normal trade practice;
- (2) Denial of the application of FRAND-compliant conditions agreed to by a previous owner of a patent while imposing markedly unreasonable royalties;
- (3) Agreement among members of a consortium which forms an ESPM that the ESPM would unfairly refuse to license, or license on a discriminatory basis, to non-members;

- (4) Engaging in patent suits or sending warning letters while obscuring or omitting material information or otherwise engaging in conduct that makes it difficult for the other party to understand or defend itself against the asserted claims; or
- (5) Transferring rights from a patent holder to an ESPM and subsequently causing the ESPM to commit acts under (1) and (2) above against other enterprises.

Reform on General Guidance

While Article 59 of the Monopoly Regulation and Fair Trade Law ("MRFTL") provides that the fair exercise of IP rights is not forbidden by the MRFTL, the Amended Guidelines clarify that determination of whether the exercise of IPR is fair requires consideration of the totality of the circumstances, including the purpose and aim of relevant IP laws such as the Patent Act, the content of such IPR, and the effect of the act on competition in the relevant market. The revisions in the Amended IPR Guidelines reflect the first Korean Supreme Court decisions on the application of the MRFTL in cases arising from patent settlement, showing that patent rights do not shield such settlements from the scrutiny of the competition authorities (See Supreme Court Decision Nos. 2012 Du 24498 and 2012 Du 27794, both rendered on February 27, 2014).

The Amended IPR Guidelines also contain the following updates:

- (1) For purposes of the Guidelines, it is made clear that "anti-competitiveness" is the sole applicable standard of illegality, and no further references are to be made to "unreasonably impeding fair trade" which has been the typical standard for unfair trade practices. Therefore, where the Amended IPR Guidelines use the term "unreasonable," this is to be understood to refer to the "anti-competitiveness" standard.
- (2) The concept of "innovation markets" is introduced, in which a particular innovation market comprises any R&D affected by the exercise of a certain IPR and/or R&D for products, technology, or processes in actual or potential competition with the IPR. Previously the IPR Guidelines only referred to "product markets" and "technology markets."
- (3) A new section on "grantbacks" of improvements to licensed technology to the licensor is included, which contains detailed standards for determining whether such grantbacks may constitute abuse.
- (4) There is a new note regarding "Package Licensing" that discusses the pro-competitive effects of

licensing multiple patents at once, but also indicates that compelling the licensing of non-SEPs together with SEPs against the will of the licensee may constitute an unfair tie-in sale.

KFTC's Enforcement Plans

In the press release accompanying the Amended IPR Guidelines, the KFTC stated that it will continue to monitor the abuse of IPRs in the future. The KFTC also submitted its annual report to the Office of the President on its enforcement plans for 2015 ("2015 Annual Report") on January 13, 2015. Notably, the KFTC plans to continue to focus particular attention on the information & communications technology ("ICT") sector by establishing a Special Task Force for the sector. The 2015 Annual Report also identifies the mobile platform and software and IP sectors as areas of particular interest. According to the 2015 Annual Report, the KFTC will engage in close monitoring of possible abuses of dominance, such as illegal tying practices by dominant software developers and the abuse of patent rights by firms with control over standard technologies (such as coercing grantbacks to a licensor of a licensee's independently-obtained knowledge, experience or technological achievements regarding the contracted products or technology, or unreasonably charging royalties for parts not using the licensed technology).

In view of the Amended IPR Guidelines and the KFTC's scrutiny, companies in the ICT and software industries are advised to pay special attention to any aspects of their licensing transactions which may raise competition law concerns, particularly where licensing of standard-essential technologies is concerned.

Supreme Court Denies Withholding Tax on Royalties for Foreign Patents

By Mikyung (MK) CHOE and Jae Hun SUH

The Korean Supreme Court recently decided that royalties received by a U.S. corporation from a Korean corporation for the license of patents registered abroad but not in Korea do not constitute domestic-source income as defined in Article 6, paragraph 3 and Article 14, paragraph 4 of the Korea/U.S. Tax Treaty, regardless of whether there are manufacturing or sales activities in Korea related to such patented inventions (Case No. 2012du18356, decided on November 27, 2014). As such, royalty income specifically received for such patents is not subject to Korean withholding tax.

As background to this decision, the Korean Supreme Court previously ruled in 2007 that, under the Korea/U.S. Tax Treaty, patent royalties received by a U.S. taxpayer from a Korean corporation should be treated as domestic-source income only to the extent that the licensed patents are registered in Korea by the U.S. corporation and licensed to a Korean resident for use in Korea (Case No. 2005du8641, decided on September 7, 2007). The Court specifically recognized that patent rights (e.g., exclusive rights for production, usage, transfer, lending, importation, exhibition, etc.) are only effective in the country where the patents are registered, in accordance with the territorial principle of patents.

However, Article 93 of the Corporate Income Tax Law of Korea was revised on December 26, 2008 to state that income or fees obtained by a foreign company from a Korean licensee's "use" in Korea of patents registered overseas in connection with manufacture and sale, etc., are considered domestic-source income even if the patents are not registered in Korea. Based on this revision, the Korean tax authority has been collecting withholding tax on all patent royalties paid to U.S. corporations, even for foreign patents not registered in Korea.

The 2012du18356 case began with the settlement of a patent infringement lawsuit in the United States between a U.S. corporation and a Korean corporation, which included a patent cross-license. In 2009, the Korean corporation paid royalties to the U.S. corporation in return for the right to use about 900 patents registered globally by the U.S. corporation, and withheld 16.5% of the total royalty amount as tax, pursuant to the rate specified in the Korea/U.S. Tax Treaty. The U.S. corporation then petitioned the Korean tax authority for a refund of the withholding tax

imposed on royalty income from solely foreign patents (while accepting the withholding tax as to royalty income from Korean patents). The petition was rejected by the Korean tax authority, and the U.S. corporation filed a lawsuit seeking the refund in Korean court.

The Supreme Court ultimately held that under Article 28 of the International Tax Coordination Law, tax treaties take precedence over domestic tax law (including the Corporate Income Tax Law) when classifying income as domestic-source. Thus, whether patent royalty income received in Korea by a U.S. entity is domestic-source income must be determined according to the Korea/U.S. Tax Treaty. Under Article 6, paragraph 3 and Article 14, paragraph 4 of the Korea/U.S. Tax Treaty, royalties are only domestic-source income if they are paid for use of a patent in the country where it is registered. Thus, the Korean tax authorities' withholding of tax on all royalty income in Korea without regard as to whether the relevant patents actually were registered in Korea was improper, regardless of the 2008 amendments to the Corporate Income Tax Law.

By strongly affirming the reasoning of its earlier decision in the 2005du8641 case, the Supreme Court has resolved a confusing split in the law, as well as providing a clear legal basis for U.S. companies to claim refunds of withholding taxes that may have been paid on royalties for non-Korean patents. U.S. companies interested in seeking such refunds should consult with their Korean legal counsel to determine whether such refunds are feasible.

No Refund of Previously Paid Royalties Even After Patent is Invalidated

By Sang Yep SONG, Inchan Andrew KWON and Yoon Chang LEE

Under Korean patent law, a patent that is finally invalidated is legally considered never to have been filed at all. However, in a recent case involving a dispute over a patent licensing agreement where the patent was finally invalidated after the agreement was executed, the Supreme Court ruled that the patentee had no obligation to refund royalties already paid by the licensee prior to the invalidation, nor was there any basis to retroactively revoke the agreement, as long as the license was enforceable prior to the invalidation (Supreme Court Decision No. 2012 Da 42673, rendered on November 13, 2014).

In the above case, the Court focused on the practical question of whether or not the parties were able to perform under the license agreement prior to the final invalidation. The Court determined that the answer was yes, because during that time, the patentee would not have been able to enforce the patent against the licensee, and no third party was allowed to use the patent in violation of the exclusive right given to the licensee. Further, the Court found no reason to revoke the

agreement on the basis of a mistake or misunderstanding, because invalidation is possible for every patent, and the licensee necessarily must have understood this when entering into the license agreement. Thus, the Court affirmed the validity of the license agreement prior to the date of final invalidation, despite the legal construct that an invalidated patent is considered to have never existed. However, since the license could not be enforced after the invalidation, any royalties paid after the date of invalidation were required to be returned.

The Court did leave open the possibility that if a patent's validity had been an explicit condition of enforcing or executing the agreement, or if the patent itself could not have been practiced prior to the invalidation, the license might be considered invalid and all royalties refundable. However, this decision's main holding can be used to support the efforts of patentees/licensors to license their patents in Korea by affirming that royalties received under a valid license agreement are lawful profits to the licensor even if the patent is later invalidated.

Employee's Improper Assignment of In-Service Invention May Breach Duty of Care

By Seung-Chan EOM, Inchan Andrew KWON and Soonbok LEE

The Supreme Court recently held that an employee subject to a pre-existing assignment contract breached a duty of care to his employer by assigning his in-service invention to a co-inventor (who was not employed with the same employer) without notifying the employer. The Supreme Court found that the employee owed damages to the employer based on his share of the invention (Supreme Court decision 2011 Da 77320, rendered on November 13, 2014). Notably, the non-employee (co-inventor) who assisted in developing the invention was found to be jointly liable for the tort and resulting damages.

Facts

The defendant employee ("D1") was a director of the plaintiff employer ("P"). Under an existing agreement between D1 and P, all of D1's in-service inventions were automatically assigned to P, unless P declined the assignment. D1 and another defendant ("D2"), an outside researcher not employed by P and not bound by D1 and P's agreement, jointly completed an invention relating to a light-weight and high-strength die casting alloy. The subject matter of the invention would have been within the scope of D1's employment. Both D1 and D2 were

aware that the invention would have been important to P's business. Nevertheless, D1 assigned his share of the invention to D2 without notifying P. D2 then obtained a patent on the invention in its own name and licensed the patent to another company (who was introduced to D2 by D1). P subsequently sued both D1 and D2 for tort damages, rather than filing a breach of contract action against D1 alone.

Supreme Court Decision

The Supreme Court held that, in view of the pre-existing assignment clause, D1 owed a legal duty to P to cooperate with P in obtaining a patent for the employee's in-service invention in the employer's name, as well as to maintain secrecy of the invention in the interim. As a result, the Supreme Court determined that D1 and D2 conspired to commit a tortious breach of duty because both D1 and D2 knew of the importance of the invention to P's business. In particular, D1 had failed to notify P of the completion of the in-service invention, and instead, facilitated D2's patent application on the invention and subsequent licensing of the patent. Thus, the Supreme Court held that D1 and D2 were jointly liable for damages to P equivalent to D1's share of the invention, i.e., 50% of the royalties paid for the invention.

The Supreme Court's decision confirms that an employee's violation of a pre-existing assignment agreement assigning his inventions to his employer, beyond being a simple contract violation, may constitute a tortious breach of the employee's duty of care to the employer, significantly expanding the scope of the employer's remedies for any breach of the agreement. Further, even though this particular case involved civil tort claims, it is possible that criminal proceedings might be instituted for extreme violations.

TRADEMARK, DESIGN, COPYRIGHT & UNFAIR COMPETITION

Another Victory for Hermès in Korea

By Ann Nam-Yeon KWON, Alexandra BÉLEC and Seung-Hee LEE

On January 29, 2015, the Seoul Central District Court issued an injunction order against Suwa United Corporation ("Suwa United"), a Korean corporation, for violating the new catch-all provision of the Unfair Competition Prevention Act ("UCPA"). Suwa United is now prohibited from manufacturing or selling polyester bags on which images of Hermès' iconic Birkin and Kelly bags are printed.



(Hermès Bags)

VS.



(images printed on Suwa United Bags)

The District Court found that Suwa United's activities constituted unauthorized infringement of Hermès' right to profit by using Hermès' famous bag designs (which Hermès produced through considerable effort and investment) for the benefit of Suwa United's business, in violation of the catch-all provision of the UCPA.

The District Court specifically recognized that the shapes of Hermès' Birkin and Kelly bags had achieved such iconic status that they were now perceived as source identifiers for Hermès, through Hermès' substantial investment and effort (including extensive advertising and continuous and long-term monopolistic use of the designs).

That Suwa United's products were made out of different materials than Hermès' products (polyester vs. leather) and were sold at significantly different prices were deemed irrelevant facts by the District Court, since the act of copying the shapes of the famous Birkin and Kelly bags without authorization from Hermès was contrary to fair commercial practice, and clearly was done by Suwa United in order to free ride on the reputation Hermès had acquired for its bags and thereby to increase the sales of Suwa United's products. The District Court also noted that Suwa United could not have achieved the sales it had been able to obtain (Suwa United's products were very popular in Korea for a certain period of time) without copying the shapes of the famous luxury bags. The District Court thus concluded that an infringer and its victim need not be engaged in direct competition nor must the infringing products be a direct replacement of the genuine products in order to find that an act of unfair competition or an illegal act under the Civil Code had been committed.

The District Court also awarded KRW 100,000,000 (about USD 90,000) in damages to Hermès and Hermès Korea.

This case is currently under appeal before the High Court.

Changes to the Korean Trademark Examination Guidelines in 2015

By Min-Kyoung JEE and Nayoung KIM

The newly amended Examination Guidelines ("Guidelines") of the Korean Intellectual Property Office ("KIPO") went into effect on January 1, 2015. The following are some of the more notable of the many changes made to the Guidelines.

1. Dilution as a New Refusal Ground

Article 7(1)(x) of the amended Korean Trademark Act ("TMA") came into effect on June 11, 2014, and prohibits the registration of marks that can weaken the distinctiveness of another's famous trademark through blurring or tarnishment. The Guidelines have been amended to incorporate this dilution provision as another ground for refusing an application.

Specifically, the Guidelines indicate that applying for a third party's famous mark in connection with completely different or inappropriate goods/services will be seen as blurring or tarnishing the famous mark, respectively (e.g., designating "pianos" for the mark "KODAK" or "pornographic films" for the mark "CHANEL").

2. Consumer Confusion as a Basis for Determining Similarity

KIPO has always tended to place a strong focus on the similarity between the compared marks and goods/services when evaluating applications. As a result, later-filed marks often have been denied registration simply due to their apparent similarity to a senior mark, regardless of the existence of actual consumer confusion. In order to prevent this, the new Guidelines indicate that examiners should focus on the likelihood of consumer confusion between compared marks when determining whether the marks are similar.

3. Applications Filed by Related Applicants

The June 11, 2014 amendment to the TMA included a prohibition on registration of marks where the applicant first obtained knowledge of the mark from the original or good-faith owner through an agreement, transaction or other relationship (Article 7(1)(xviii)). The amended Guidelines further flesh out the standard for determining what is "an agreement,

transaction or other relationship" under the foregoing provision, to include not only all formal relationships agreed in writing, but any relationship based on good faith (e.g., between a contestant and a judge presiding over a brand contest in which an application for the winning brand is filed).

4. Bad Faith Applications for Imitation Marks

Article 7(1)(xii) of the TMA prohibits the registration of marks that are similar or identical to "a mark that is known as a source identifier for a particular party" and have been filed in bad faith. Whether a mark is known as a source identifier for a particular party has usually been established through general fame evidence (that is, evidence that the mark is recognized by consumers in general in connection with the designated goods), including items such as sales figures, advertising expenditures, etc. However, the Guidelines have been amended such that a mark can be considered a source identifier even if it is recognized only by a subset of consumers with particular relevance or interest in the designated goods. In order to establish the foregoing, the Guidelines state that it will rely on whether the applicant knew the mark belonged to a third party and expected unfair profits, such as an increase in their sales.

5. Use of Third Party Registered Marks in the Goods Description

The amended Guidelines expressly provide that descriptions which use a third party's registered trademark as a generic term will be viewed as overly broad or ambiguous, and subject to refusal. For example, an application designating the good "computer programs for use on iPhones" will no longer be acceptable.

6. Registration of Slogans

In the past, slogans or mottos were generally denied registration due to lack of distinctiveness. However, the new Guidelines permit registration of marks comprising slogans or mottos if they are recognized as a source identifier or are not often used.

7. Miscellaneous

The new Guidelines make it easier for applicants to obtain a registration from KIPO by stating that priority claims may be accepted for applications even if they do not designate exactly the same goods/services as the previous application (previously, the marks and goods were required to be identical even if changes in one application were necessary to comply with the laws of other countries), and by permitting modifications to the trademark for "correction of obvious errors or size, [and] removal of minor portions."

The new Guidelines also provide protection not only for geographical indications ("GIs") currently

protected under the Korea-European Union Free Trade Agreement, as well as GIs identified under the Korea-Canada Free Trade Agreement, which went into effect earlier this year.

In summary, with these new Guidelines, KIPO appears to be moving away from its current rather mechanical examination of trademark applications, which often results in automatic rejections, and instead developing a more practical approach with actual market circumstances in mind.

Supreme Court Rejects KIPO's Review Practices for 3D Marks

By Min-Kyoung JEE and Jason J. LEE

The Supreme Court recently upheld the decision by the Patent Court rejecting the Korean Intellectual Property Office's ("KIPO's") amended examination guidelines pertaining to three dimensional trademarks. The Supreme Court agreed with the Patent Court that the distinctiveness of a three dimensional mark should be determined in the same manner as any other trademark, by referencing all of its elements including shapes, symbols, letters, figures, etc., and should not be limited to considering the three dimensional shape alone as dictated by KIPO's amended examination guidelines (Supreme Court Decision 2014Hu2306 rendered on February 26, 2015).

In detail, the Supreme Court indicated that the Patent Court properly considered all elements of the subject trademark application for artificial hip joint balls (see illustration below), including both the non-distinctive three dimensional shape and the distinctive English characters "BIOLOX delta," when determining the overall distinctiveness of the mark. For additional details regarding the original Patent Court decision, please refer to our Winter 2014/15 newsletter.



The Supreme Court also clarified that if a three dimensional trademark is registered as distinctive overall, but the three dimensional shape itself lacks distinctiveness, the registered trademark rights do not extend to the shape alone. Therefore, even if a three dimensional trademark is registered, it does not necessarily mean that other parties are excluded from lawfully using the three dimensional shape if the shape itself lacks distinctiveness.

In view of the Supreme Court's decision, a further revision of KIPO's examination guidelines is expected to be issued in due course.

Using Copyright to Protect Logos from Unauthorized Use as Trademarks

By Seoung-Soo LEE, Angela KIM and Won-Joong KIM

Fox Head, Inc. v. Fox Korea Co., Ltd.



Synopsis

On December 11, 2014, the Supreme Court confirmed that whether a work functions as a source identifier or trademark is irrelevant to whether the work can be regulated under the Copyright Act. The court also confirmed that access to a copyrighted work can be presumed if there is substantial similarity between the works, and the possibility of access is established. Indeed, the court noted that striking similarity alone (i.e., where the similarity cannot reasonably be explained as a coincidence) may be enough to presume such access.

The Facts

The plaintiff was Fox Head, Inc. ("Fox Head"), a U.S. company which manufactures MTB bikes, cycling clothes, and various other sports equipment. The defendants were a Korean fashion company, Fox Korea Co., Ltd. ("FKC"), as well as a director of the company and one other individual. The director had registered in Korea various fox head designs for various goods/services (the "Imitation Marks"). The director licensed these marks to FKC, who then began manufacturing and selling sports clothing and various accessories bearing these marks.

Due to the defendants' preemptive trademark registrations, which Fox Head was unable to invalidate, Fox Head was prevented from using or registering its trademarks in Korea. Thus, to stop the defendants' use of the Imitation Marks in Korea, Fox Head instead filed an action for copyright infringement at the Seoul Central District Court, seeking a permanent injunction against the defendants, destruction of the infringing goods and relevant advertising materials, and deletion of the infringing designs from the internet.

Some of the Plaintiff's Devices	Some of the Defendants' Korean Trademark Registrations
 <p>* Created and published as the plaintiff's logos as early as 1976.</p>	 <p>* These registrations cover various goods and services, many of which designate clothing-related goods.</p>

Court Decisions

The district court ruled that the defendants' use of the Imitation Marks did not constitute copyright infringement, finding that the defendants' access to Fox Head's fox devices had not been proven. In particular, the court noted that Fox Head's fox devices were not well-known in Korea at the time the defendants' earliest trademark applications were filed.

On appeal, the high court reversed the district court's decision, holding that access can be presumed where the possibility of access to the copyrighted work is shown, and there is substantial similarity between the two works. Accordingly, the Imitation Marks were found to infringe Fox Head's copyrights in its fox devices.

The defendants then appealed to the Supreme Court, arguing that since the Imitation Marks were only used as trademarks, Fox Head could not bring a copyright action against them. However, the Supreme Court ruled that whether a work functions as a source identifier is irrelevant to whether it may be regulated under the Copyright Act. Further, citing a prior Supreme Court decision, the Court not only affirmed the high court's ruling that access to a copyrighted work can be presumed if both substantial similarity between the works and a possibility of access are found, it also noted that striking similarity alone (i.e., where the similarity cannot reasonably be explained as a coincidence) may be enough for access to be presumed.

The Supreme Court's ruling makes it clear that companies with copyrightable brand designs have an additional avenue of protection for their brands in Korea if their trademarks have been preemptively registered by others.

FIRM NEWS

AWARDS & RANKINGS

Top tier for 6 practice areas and recognition of 28 leading individuals – Chambers Global 2015

In the Chambers Global 2015 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 6 practice areas:

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

In addition, 28 Kim & Chang professionals earned individual recognition for their expertise in their respective practice areas. In the Intellectual Property practice area, **Duck-Soon Chang, 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," **Martin Kagerbauer** as a "Foreign Expert (Germany)" in Korea, and **Ann Nam-Yeon Kwon** as one of "Other Noted Practitioners."

Top tier for 16 practice areas and recognition of 51 leading individuals – Chambers Asia-Pacific 2015

In the Chambers Asia-Pacific 2015 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 16 practice areas:

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

In addition, 51 Kim & Chang professionals earned individual recognition for their expertise in their respective practice areas. In the Intellectual Property practice area, **Duck-Soon Chang, 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** as one of "Other Noted Practitioners."

Asian Law Firm of the Year – ALM's The Asia Legal Awards 2015

Kim & Chang was selected as the "Asian Law Firm of the Year" at the Asia Legal Awards 2015, hosted by The Asian Lawyer. The award ceremony was held in Hong Kong on March 3, 2015. In addition, 2 deals in which our firm acted as the legal advisor were selected as the "Dispute of the Year" and "M&A Deal of the Year: Private Equity."

The details of the awards that Kim & Chang won are as follows:

Firm Categories

- Asian Law Firm of the Year

Deal Categories

- Dispute of the Year: Apple v. Samsung
- M&A Deal of the Year (Private Equity): KKR's \$1.4B acquisition of Goodpack

ALM is the world's pre-eminent legal media group publishing The American Lawyer and other various business and legal magazines, and The Asia Legal Awards hosted by The Asian Lawyer is one of ALM's recognition events. According to ALM, "Kim & Chang is particularly known for its international client base, ... the firm models itself as a world-class law firm, has a multinational team of lawyers and is capable of advising on sophisticated and complex products for international clients."

Kim & Chang named Prosecution Firm of the Year for Korea at MIP Global Awards 2015

Kim & Chang has been named the "Prosecution Firm of the Year for Korea" at the Managing Intellectual Property (MIP) Global Awards 2015. The awards ceremony was held in London on March 11, 2015.

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 based on extensive research and interviews with IP owners and professionals worldwide.

Kim & Chang ranked among top trademark firms in WTR 1000 2015

Kim & Chang has once again been recognized as one of the top trademark law firms in Korea by World Trademark

Review (WTR), earning the top "Gold Band" ranking in the categories of Enforcement & Litigation and Prosecution & Strategy in the fifth edition of WTR 1000.

In addition, five Kim & Chang attorneys – **Jay (Young-June) Yang**, **Ann Nam-Yeon Kwon**, **Sung-Nam Kim**, **Alex Hyon Cho**, and **Alexandra Bélec** – were recognized as leading individual practitioners.

WTR 1000 is the first and only definitive guide exclusively dedicated to identifying the world's leading trademark professionals. Their rankings are based on in-depth research and interviews with hundreds of trademark specialists across the globe.

Kim & Chang ranked Tier 1 in 2015 Asia IP Copyright Survey

Kim & Chang has been recognized as a Tier 1 firm in Korea for Copyright by Asia IP in its special 2015 Copyright Survey issue of Asia IP Magazine.

Asia IP is published by Apex Asia Media Limited, an independent publisher based in Hong Kong, and offers an extensive range of in-depth features and resources essential for IP-owning firms active in Asia and international law firms that want to keep ahead of the key issues.

Jay (Young-June) Yang wins Client Choice Award 2015 – International Law Office (ILO) and Lexology

Jay (Young-June) Yang has been named the exclusive winner of the 2015 Client Choice Award in the Intellectual Property: Patents category for Korea by The International Law Office (ILO) and Lexology. The celebratory dinner for the winners was held in London on February 19, 2015.

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.

EVENTS

2014 IP Institute, New York City on December 4, 2014

Duck-Soon Chang, a senior attorney in the firm's IP Group, participated as a panelist in a breakout session titled "Considerations in Global Patent Wars" at the 2014 IP Institute Conference, which was held in New York City on December 4, 2014. During the breakout session, Mr. Chang gave a comprehensive overview of the Korean

court system and litigation proceedings, including various strategic enforcement options in Korea.

The conference was hosted by Cravath, Swaine & Moore LLP and the NYU School of Law for the second time. With several federal judges, senior business executives, general counsels and IP leaders at Fortune 500 companies, and universities from around the world attending, it proved once again to be a premier event for networking and sharing perspectives on current world-wide issues in the field of IP.

Global Patent Litigation: How and Where to Win Seminar in Japan, Korea and China, January 22-28, 2015

Duck-Soon Chang, a senior attorney in the firm's IP Group, participated as a panelist at a seminar headlined "Global Patent Litigation: How and Where to Win," which took place in Tokyo, Japan; Seoul, Korea; Beijing, Shanghai, and Suzhou, China from January 22 to 28, 2015. 7 patent litigation experts from the UK, Germany, France, the US, China, Korea and Japan, discussed on the topics of "Global Forum Shopping" and "Procedural and Substantive Issues & Strategic Considerations."

In line with the Global IP Project, which was created in 2002 to compile and study the objective data metrics on win rates and other patent litigation considerations across the world, the seminar served as a unique platform for networking with various IP industry delegates and practitioners, and exchanging knowledge and information related to effective global patent litigation strategies.

Patent-Regulatory Approval Linkage System Seminar in Seoul on March 6, 2015

Mee-Sung Shim, a senior patent attorney in the firm's IP Group spoke at a seminar regarding the patent-regulatory approval linkage system in Seoul, Korea on March 6, 2015. Ms. Shim presented on "Generic notice and sales stay," highlighting the notice requirements for generics who challenge listed patents and the sales stay mechanism against such generics.

Hosted by the Korea Pharmaceutical Manufacturers Association, along with the Ministry of Food and Drug Safety and the Korean Intellectual Property Office, the event was well-received by representatives from 155 Korean local pharmaceutical companies and 30 multinational pharmaceutical companies operating in Korea. The amended Pharmaceutical Affairs Act to fully implement the Korean patent-regulatory approval linkage system (akin to the US Orange Book-type patent linkage system) took effect on March 15, 2015.