KIM & CHANG
INTELLECTUAL PROPERTY

Newsletter

A Quarterly Update of Korean IP Law & Policy

Summer/Fall 2016

PATENT

Statutory Subject Matter for Computer Program Inventions in Korea

The "Manual" Is Here: Streamlined Procedural Rules at the Patent Court

Changes to the Korean Rules of Civil Procedure – New Formatting Rules for Briefs

Patent Term Adjustment in Korea

Korean Patent-Approval Linkage System – One Year Later

Pfizer Gets First Generics Ban Under Korea Patent Linkage Law

IPTAB Rules that Extended Patent Term Covers All Drugs With the Same Approved Active Ingredient and Use

Industrial Technology Act Amended to Provide Higher Penalties

Korean Court Denies Bulk of Samsung Ex-Employee's Multi-Billion Won Inventor Compensation Claim

TRADEMARK, DESIGN & UNFAIR COMPETITION

Comprehensive Amendments to the Korean Trademark Act

No More Playing – A New Victory for Hermès in Korea

"Improper Use" Is Improper No Matter When It Starts

FIRM NEWS

AWARDS & RANKINGS

Kim & Chang ranked Tier 1 across all areas in ALB 2016 IP Rankings

Kim & Chang named in IAM Patent 1000 - The World's Leading Patent Professionals

Kim & Chang ranked Tier 1 in 2016 Asia IP Profiles

Kim & Chang professionals recognized in Asialaw Leading Lawyers 2016

Kim & Chang professionals recognized by Who's Who Legal

Kim & Chang professionals named to Euromoney's 2016 Expert Guides

EVENTS

PTMG Conference in Oslo, October 5-8, 2016

EDITORS

John J. KIM
Inchan Andrew KWON

Statutory Subject Matter for Computer Program Inventions in Korea

By Ho-Yeon LEE and Stephen T. BANG

Generally speaking, software inventions and business method inventions (often collectively referred to as "computer-implemented inventions") are treated similarly to other inventions under the Korean Patent Act ("KPA"). That is, the KPA does not have any provisions that specifically govern computer-related inventions, and applications for computer-implemented inventions are subject to the same statutory requirements of patentability that apply to patent applications in general (e.g., novelty, inventiveness and description requirements).

Notwithstanding the absence of such provisions in the KPA, the most instructive resource for practitioners, litigators and applicants is within the "Examination Guidelines for Computer-Related Inventions" ("Guidelines") released on July 1, 2014, which are used as the prevailing standard for KIPO examiners in examining computer-implemented inventions. The Guidelines were initially released in November 1984 and have been revised several times, and most recently in July 2014. Among other things, the Guidelines set forth the requirements for allowable subject matter, claim drafting rules, and standards for inventiveness, which are generally based on case precedents.

Unlike the U.S. (and many other jurisdictions), Korea explicitly provides a definition of what constitutes an "invention" in the KPA. Specifically, under Article 2 of the KPA, an invention is defined as a "highly advanced creation of technical ideas utilizing the law of nature." This definition of an invention applies equally to computer-implemented inventions.

According to Section 2.2 of the Guidelines, such a creation of technical ideas is generally understood to mean a concrete means involving a combination of software and hardware (or device implementation) to achieve a specific purpose. That is, in the context of computer-implemented inventions, information processing realized through cooperation between software and hardware (i.e., in a way that information processing by software is concretely realized by utilizing hardware) is deemed to be a creation of technical ideas utilizing the laws of nature. This requirement essentially reflects a Supreme Court decision (Supreme Court Decision No. 2001-Hu-3149), which was rendered on May 16, 2003.

Notably, while the U.S. landmark case *Alice Corp. v. CLS Bank International* significantly changed the statutory standard for software inventions, there have not been any other comparable decisions or any other relevant Korean Supreme Court decisions that further changed or clarified the statutory definition of invention as it applies to a computer program. Thus, the law in Korea remains relatively unchanged since 2003, and we have not seen any notable change in KIPO examination practice to make a shift towards adopting a more stringent review of computer-implemented inventions.

Claim Categories for Computer-Implemented Inventions

Under the current Guidelines, computer-implemented inventions can be claimed in one of the following forms:

a) Apparatus (device)
b) Process (method)
c) Computer-readable medium "CRM" (e.g., a floppy disk, a compact disc)
d) Computer program stored on a medium (added on July 1, 2014)

The following are formats of the exemplary permissible claims as provided in the Guidelines.

<u>Exemplary Formats for Computer-Readable Medium Claims</u>

[Example 1]
A computer readable recording medium having recorded a program that causes a computer to execute Step A, Step B, Step C, etc.

[Example 2]
A computer readable recording medium having recorded a program for enabling (or making) a computer to serve as Means A, Means B, Means C, etc.

[Example 3]
A computer readable recording medium having

recorded a program for implementing in a computer Function A, Function B, Function C, etc.

[Example 4]
A computer readable recording medium having recorded data having Structure A, Structure B, Structure C, etc.

Exemplary Formats for Computer Program Claims
(added on July 1, 2014)

A computer program stored on a medium, for executing, in a computing device, Step A, Step B, Step C, etc.

Other than these claim forms, claims directed to a computer program *per se* (not stored on a CRM), a program signal or a series of program signals, a program product, and a program output are not allowed. Specifically, KIPO has been rejecting claims directed to a computer program *per se* on the grounds that the category of the claimed invention is unclear as to whether it is a method or a product. As indicated above, when the Guidelines were revised, the acceptable forms for claiming computer-implemented inventions were revised to allow computer program claims not recited as a CRM so long as it is claimed as being stored on a medium such that the program is used in combination with hardware (i.e., computer program stored on a medium). While "computer program stored on a medium" does not require the words "computer readable" before the term "medium," this is not an attempt to broaden the meaning of "medium" to include non-computer readable mediums. Rather, the practical application of this new claim format is that it is essentially treated the same as a CRM claim, and is generally perceived by practitioners as an attempt by KIPO to relax the formalities for claiming computer-implemented inventions. Applicants can now benefit from using this claim format, but there has not been any case precedent or further guidance from KIPO or the courts on how it differs from a CRM claim in terms of claim scope, if any, when assessing infringement.

Meanwhile, KIPO examiners often reject claims directed to a specific element/component as being unclear when the Detailed Description suggests that the element/component may be implemented in "software." In particular, for claims directed to a "graphical user interface," "schema," "tool" and "engine" (which is described as being implemented in software in the Detailed Description), it is likely that KIPO examiners will reject such claims on the grounds that the subject matter is unclear. Thus, it is safer to draft claims to recite a "computer-readable recording medium," for example, as follows: "A computer-readable recording medium storing a computer program for implementing in a computer a user interface/schema/tool/engine . . ." or "A user interface/schema/tool/engine implemented by a computer program stored on a medium . . ."

The "Manual" Is Here: Streamlined Procedural Rules at the Patent Court

By Chunsoo LEE and H. Joon CHUNG

We reported earlier that as of January this year, the Patent Court of Korea now has exclusive jurisdiction over appeals of most intellectual property infringement cases in Korea.[1] Following the jurisdictional consolidation, in March the court issued the Manual for Appellate Examination of Infringement Actions (the "Manual"), to be applied to all appellate infringement proceedings at the court, and which are similar to the patent local rules promulgated at various U.S. federal district courts. While many Korean courts already have been applying their own internal rules and procedures, this Manual is the first of its kind to be publicly issued by a Korean court, with the intention of being consistently and formally applied.

The Manual provides various procedural guidelines for (i) commencing an action, and rules for pleadings, motions and orders; (ii) trial scheduling (with stricter criteria for the timeline of submitting arguments and evidence than previously); (iii) requesting and submitting evidence; (iv) conducting trial hearings, including expert witnesses and

[1] *See* "Jurisdiction over Intellectual Property Infringement Cases to be Consolidated," Kim & Chang IP Newsletter – Fall/Winter 2015.

the length of oral arguments; (v) formatting briefs; and (vi) presenting certain invalidity and infringement arguments (e.g., lack of inventiveness, lack of clarity or support, infringement and damages) including supporting evidence. The current version of the Manual, however, does not provide clear sanctions for failure to comply with the rules, and the rules themselves are broadly defined without much detail, though the Patent Court is in the process of further clarifying and developing the rules.

In short, the Manual is intended to streamline court proceedings and to promote greater predictability in patent appeals by setting forth an integrated and convenient structure of rules and procedures. Although it remains to be seen how the court will shape this process going forward, the Manual has been broadly welcomed by practitioners as a long-overdue development of the Korean legal system, particularly in view of the ever growing and more complex IP disputes being handled by Korean courts.

Changes to the Korean Rules of Civil Procedure – New Formatting Rules for Briefs

By Duck-Soon CHANG and Peter K. PAIK

The Korean Supreme Court recently announced certain changes to the rules of civil procedure, which are significant in that they establish for the first time clear formatting rules applicable to all civil case briefs filed in Korea on or after August 1, 2016 in civil cases (including in pending cases). The rules now limit all briefs (except for complaints initiating new legal actions and answers) to no more than 30 pages (corresponding to about 18-22 pages of English text), as well as specifying, for example, the paper size, margins, and font sizes to be used in all briefs, and courts may order that any submitted briefs that do not conform to these new rules be corrected and re-submitted. The new rules are intended to increase the efficiency of Korean litigation and encourage parties to present their arguments as concisely as possible.

Patent Term Adjustment in Korea

By Tae Min KIM and Alice Young CHOI

In 2012, as part of the Korea-US Free Trade Agreement, Korea first introduced a patent term adjustment ("PTA") system to allow the extension of patent terms for patents whose issuance is unduly delayed by the Korean Intellectual Property Office ("KIPO"). Since the new PTA system applies only to patent applications filed on or after March 15, 2012, and since a patent is only entitled to PTA if issuance is delayed more than 4 years after the filing date of the application or more than 3 years after the request for examination, we may soon begin to see the issuance in Korea of patents eligible for PTA.

Patents eligible for PTA

As noted above, Korean patents filed on or after March 15, 2012 (or PCT international applications filed on or after March 15, 2012 designating the Korean national phase) may be eligible for PTA, if the registration of the patent is delayed more than 4 years from the filing date of the application or more than 3 years after the request for examination was made. For divisional applications, "filing date" refers to the date the divisional application itself was filed, not the priority date.

Procedure for applying for PTA

The Korean PTA system differs from the U.S. system in that the U.S. Patent and Trademark Office automatically calculates the applicable PTA and includes it in the notice of allowance, whereas KIPO does not take any action to calculate or determine eligibility for PTA until the patentee files a PTA request. Any such request must be made within 3 months of the date the patent issues (i.e., the date the registration fee for the patent is paid). Therefore, it

is important for a patent applicant in Korea to monitor whether its patent is eligible for PTA, and if so to timely file a PTA application.

Length of PTA

The basic calculation of a PTA is the number of days beginning the day after 4 years after the filing date of the patent application (or in the case of PCT applications, 4 years after entering the Korean national phase) or 3 years after the request for examination (whichever is later) and ending on the date the patent is registered. This period is then reduced by the number of days of delay that are attributable to the applicant rather than KIPO.

Delay attributable to the applicant

The Enforcement Decree of the Korean Patent Act gives the following examples of delay attributable to the applicant:

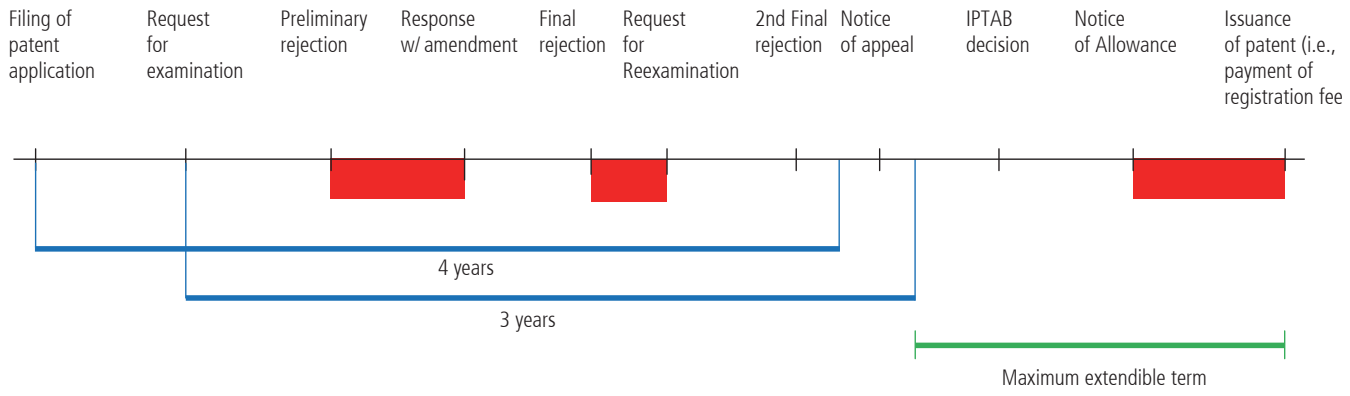
- Any period of time taken by the applicant to respond to an office action or notice from KIPO rejecting the application, unless the asserted rejection grounds are overcome without any amendment to the application (in which case there is no applicant delay);
- Any extension of a designated deadline that is requested by the applicant (though only the time actually taken by the applicant to respond will be counted as delay, if the applicant responds prior to the extended deadline); and
- The period between the date the notice of allowance is received to the date the registration fee is paid.

Calculation of PTA period

The diagram below depicts a hypothetical PTA calculation involving various periods of delay attributable to the applicant.

The diagram illustrates that even if the patent registration is delayed more than 4 years past the filing date of the application (or more than 3 years past the examination request), no PTA will be granted if the delays attributable to the applicant exceed the maximum extendible term.

Under the current pace of normal examination at KIPO (approximately 10 months between the request for examination and the first office action), it is unlikely PTAs will be relevant to the majority of patents issued in Korea. However, the issuance of a patent can be significantly delayed where the patent only issues after a final rejection is successfully appealed to the Intellectual Property Trial and Appeal Board, and in such cases PTAs are expected to be a substantial benefit to patentees in Korea.



Extendible term = maximum extendible term – the sum of the periods of ■ as those attributable to the applicant.

Korean Patent-Approval Linkage System – One Year Later

By Mee-Sung SHIM, Inchan Andrew KWON and Garam BAEK

Introduction

Pursuant to the Korea-U.S. Free Trade Agreement ("KORUS FTA"), a pharmaceutical patent-regulatory approval linkage system (similar to the Hatch-Waxman system in the U.S.) was fully implemented in Korea in March 2015. Since our previous report last year concerning the initial impact of the new system,[1] there have been a number of developments in the pharmaceutical drug market, as well as in the patent and judicial systems in Korea. The following summarizes some of the major developments of the last year.

1. Status of generic patent challenges under the Korean patent linkage system

As previously reported, a vastly increased number of cases were filed at the Korean Intellectual Property Office ("KIPO") immediately after the full system went into effect in March 2015. This increase was largely attributed to Korean "first generic exclusivity" rules, under which exclusivity may be available to the first generic to challenge a listed patent at KIPO, as well as any generic filing such a challenge within 14 days of the actual first-filed action. However, as Table 1 shows, the number of filings has greatly decreased since generic exclusivity became available under the Korean linkage system in March 2015.

In addition, generics seem to have been filing relatively more negative scope confirmation actions (in which the generic seeks confirmation from KIPO that their planned generic is not within the scope of the challenged patent) than invalidation actions recently, compared to the initial months of the new system. These trends seem to indicate not only that generics are becoming more selective about filing challenges only where it is consistent with their business plans, but the increased use of scope confirmation actions rather than invalidation actions suggests that generics are seeing less value in the first generic exclusivity system (which in practice may not be very "exclusive"), and therefore are seeking rulings specifically carving out their particular generic product from patent enforcement rather than trying to invalidate listed patents (and thus potentially open the market to all generic competitors).

Another potentially interesting piece of data is that positive scope confirmation actions are now being filed in connection with listed patents (where KIPO is asked to confirm that an accused product is within the scope of the patent). Since positive scope actions are rare and always filed by the patentee's side, not the potential infringer, this may indicate that in some cases patentees are starting to use positive scope actions rather than infringement litigation as the basis for requesting stays of generic product sales, perhaps due in part to the fact that an invalidation action against a patent already asserted in a co-pending infringement action is entitled to be highly expedited by KIPO.

An indication that generics are adjusting their litigation strategy in view of their actual business plans is seen in the extremely high percentage of KIPO actions that have been terminated through withdrawal or nullification (due to failure to submit required fees or formality documents).

As Table 2 indicates, approximately 42% of the actions initially filed against listed patents (946 out of 2233) have now been either withdrawn or nullified. This may in part be due to the fact that many of these cases were likely filed simply to preserve generic exclusivity rights, but certain generics have lost interest in actually bringing the relevant generic products to market.

In addition, it was generally expected after the early months of the rollout of the patent linkage system that, due to the huge number of filings, KIPO would seek to consolidate invalidation cases filed against the same patent to try to reduce their workload. However, as it became evident that a substantial number of generics were making very basic filings without detailed arguments or evidence, apparently with the hope that they would be consolidated with other more substantial petitions and thus "free-riding" on the litigation efforts of generics with an actual market interest in the relevant product, KIPO announced that cases would only be consolidated after carefully reviewing whether the arguments and evidence presented in the cases warranted consolidation. As a result, generics have been forced to consider whether their market interests really warrant the effort of litigating particular listed patents.

2. Status of sales stays under the patent-linkage system

On the patentee side, while there have been relatively few requests for stays of generic sales to date, they have been granted in the vast majority of cases (8 out of 10 requests so far), although several have subsequently been lifted after negative decisions in corresponding KIPO actions against the asserted patent.

[1] *See* "Korean Patent-Approval Linkage System – Initial Statistics," Kim & Chang IP Newsletter – Fall/Winter 2015.

However, it has become apparent that there is a tension between pharmaceutical regulations and patent law that may discourage broader use of generic sales stays in Korea. One requirement for making a sales stay request under the relevant statutes is that the same sales stay request must be made against all of the "same generics" seeking to enter the market, or else the request will be rejected. Two generics are the "same" for drug approval purposes if they have the same type and amount of active ingredient, the same dosage form, the same usage and dosage, and the same indications. However, even if two generics are the "same" for approval purposes, it may be that only one actually infringes a listed patent (for example, if they have different crystalline forms). Under current rules of the Ministry of Food and Drug Safety ("MFDS"), a patentee seeking a stay would still be required to sue both generics for infringement to qualify for a sales stay, forcing the patentee to choose between risking antitrust scrutiny by suing both generics (for knowingly suing a non-infringing party), or losing any right to a sales stay by not suing either generic (even though one is actually infringing). Original drug manufacturers have increasingly expressed concern regarding the MFDS's interpretation of the law regarding this point, and the issue seems likely to be disputed in the future.

3. Questions regarding first generic exclusivity

In contrast with the U.S. system, determining which generics are entitled to generic exclusivity in Korea is relatively complicated. In particular, a generic must be the "first" to file a qualifying KIPO action against the listed patent as well as the "first" to apply for generic approval for a particular product in order to qualify for exclusivity. However, the MFDS has now clarified that the "first" generic approval application requirement means the first application for a particular generic formulation. Thus, generics filing on different dates for generic approval with respect to the same original drug may still all qualify for exclusivity as long as each generic's product is different. However, all such generics still must file a "first" qualifying KIPO action against the listed patent for the original drug.

The larger question now being asked by some generics is whether the first generic exclusivity provisions as written actually provide any meaningful benefit to qualifying generics, given that there is theoretically no limit to the number of generics that can obtain "exclusivity" rights. Further, while multiple generics may eventually qualify for "exclusivity" under the Korean system, only one 9-month exclusivity period is granted, which begins as soon as the first generic qualifies for "exclusivity" (thus, any later-qualifying generics would only enjoy the benefit of the remainder of the exclusivity period). However, at this point, it remains to be seen whether and how generics will seek to introduce changes to the patent-linkage system to address this exclusivity issue.

Table 1: KIPO actions filed involving listed patents in Korea — Source: KIPO

Action types	Jan 2013-Feb 2015	2015										2016		Total
		Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	
Negative scope confirmation	132	103	57	23	2	16	1	4	7	40	25	2	7	416
Positive scope confirmation	11												3	14
Patent invalidation	181	515	563	22	1	1	1		3	8	1	2		1,298
PTE invalidation	0	162	332	10				1						505
Total	324	780	952	55	3	17	2	5	10	48	26	4	7	2,233

Table 2: Current status of KIPO actions filed involving listed patents — Source: KIPO

Action types	Petition granted	Petition denied (after substantive review)	Petition denied (after formal review only)	Petition withdrawn	Petition nullified	Petition pending	Total
Negative scope confirmation	238	8	3	53	6	108	416
Positive scope confirmation			2*	9*		3	14
Patent invalidation	174	16	20	445	160	483	1,298
PTE invalidation		13		159	114	219	505
Total	412	37	25	666	280	813	2,233

* These positive scope confirmation actions were filed from Jan 2013 to Feb 2015, before sales stays could be requested beginning in March 2015.

Pfizer Gets First Generics Ban Under Korea Patent Linkage Law

By Young KIM, In-Hwan KIM and Amy (Seung-Hyun) OH

In accordance with the Korea-U.S. Free Trade Agreement, Korea adopted a patent-regulatory approval linkage system, similar to the U.S. Orange Book-type patent linkage system, which has been fully implemented since March 2015. Recently, Pfizer Korea successfully obtained a sales stay of a generic product under the system, blocking the generic's market entry. Pfizer also defended its Tygacil patent while obtaining a district court decision finding the generic's infringement.

This is notable as this is the first case in which a patentee succeeded in preventing the generic launch under the patent-linkage system.

Kim & Chang represented Pfizer in these matters.

The First Case

The drug in question is the injectable antibiotic Tygacil, also known as tigecycline. Pfizer reported $304 million in worldwide Tygacil sales in 2015.

On December 31, 2014, generic manufacturer Penmix Ltd. filed an invalidation action with the Intellectual Property Trial and Appeal Board ("IPTAB") against Wyeth LLC's formulation patent for Tygacil, which was listed on the Green List. Penmix then filed for generic product approval with the Ministry of Food and Drug Safety ("MFDS") on December 3, 2015 and notified Pfizer Korea, the market approval holder, and the patentee Wyeth. In their notice, Penmix merely stated that the listed formulation patent is invalid without disclosing its own product formulation or indicating when their generic product would be launched. However, considering that Penmix only challenged the formulation patent and not the listed compound patent expiring on May 21, 2016, it was understood that it was planning to launch immediately after the compound patent expires.

On January 20, Pfizer filed a request for sales stay with the MFDS and simultaneously brought a patent infringement action before the Seoul Central District Court. The MFDS issued a sales stay against Penmix on April 19, meaning that Penmix could not sell their generic products until September 7.

To remove the sales stay, Penmix strongly argued in the invalidation and infringement actions that the formulation patent should be invalidated for lack of inventiveness. The IPTAB affirmed the validity of Wyeth's formulation patent on May 10, 2016 (*Penmix v. Wyeth LLC*, Case No. 2014Dang3424). Subsequently, the Seoul Central District Court rendered a decision on July 1, finding that Penmix had infringed the patent (*Wyeth v. Penmix*, Case No. 2016Kahap503614).

Penmix has filed appeals against both the IPTAB decision in the invalidation action and the district court decision in the infringement action, which are now pending before the Patent Court.

Korean Patent-Linkage System

As one of the first cases involving the new Korean patent linkage system, this dispute serves as a useful guide as to how the system functions, and also answers some questions practitioners have had.

The Tygacil dispute demonstrates the key elements of the Korean patent-linkage system, which includes (i) patent listing, (ii) generic's obligation to send a notice, (iii) generic stay mechanism and (iv) first generic exclusivity, as summarized below.

Patent listing

The market approval holder ("MAH") of an original drug product may apply for patent listing on the Green List of the MFDS within 30 days from the market approval date or patent registration date, whichever is later. In order for the MAH to list the patents, it should obtain a license or consent from the patentee.

In the U.S. system, while the FDA plays only an administrative role, the MFDS in Korea substantively examines the patent listing applications and selectively lists the applied patents on a claim-by-claim basis after reviewing whether there is a direct relationship between the approved product and the applied patent claims.

Another difference is that the Korean linkage system covers both chemical and biological products, whereas the U.S. system only includes chemical products.

Generic Notice

After the relevant patent is listed, a generic company must notify both the patentee and MAH within 20 days when certifying that the listed patent is invalid or not infringed by its product. However, a notice is not required if (i) an application is filed with the assurance that the generic's sales will begin after the listed patent expires, (ii) there is consent from the patentee and the MAH or (iii) its product indication has no relevance to the listed patent in terms of medical use.

If a generic fails to notify the patentee and MAH of its application, then the generic product cannot be approved.

Further, if the generic notice is sent later than 20 days after filing for product approval, then the actual notice filing date will be deemed as the generic application date for purposes of determining the first generic exclusivity.

Generic Stay Mechanism

Unlike the U.S. system, the Korean linkage system does not stay the approval process of the generic product. Rather, the generic product may be approved with a condition with a stay on sales. The sales ban ends if the patent expires, or if it is invalidated or there is a finding that the generic is noninfringing.

In order to request a sales stay against the generic product, the patentee must (i) file a patent infringement or scope confirmation action against the generic or (ii) respond to a scope confirmation action filed by the generic in connection with the listed patent. If the MFDS grants the sales stay request, then the generic product sales will be prohibited for nine months from the patentee's receipt date of the generic notice.

The patent holder requesting a stay is entitled to it as a matter of right after filing a patent infringement action. However, if the patent holder responds to a scope confirmation action filed by the generic company, then the MFDS grants the sales stay only after reviewing whether the compared product specified by the generic company is identical to the one applied for generic product approval before the MFDS.

If the patentee loses in the infringement action or scope confirmation action, then the sales stay will be lifted.

First Generic Exclusivity

A generic company may be awarded with nine months of market exclusivity if it: (i) filed the first generic approval application; (ii) brought an invalidation or scope confirmation action at the IPTAB before filing its generic approval application and received a favorable decision within nine months of its generic notification being received; and (iii) proved that the trial in (ii) above was the first trial filed or was otherwise filed within 14 days of the first trial, or received a favorable decision before any earlier-filed trials.

Giving Guidance

As noted above, this is the first case since the Korean patent linkage system has been introduced, where the patentee has successfully prevented a generic launch by obtaining a sales stay from the MFDS followed by favorable decisions both in the invalidation and infringement actions.

After the new patent linkage system was introduced, a number of legal issues have been raised among Korean patent litigators.

One issue was whether it would be considered frivolous if the patentee initiated an infringement action without any evidence of infringement. If the listed patent is directed to a compound and use invention, then it is obvious that the generic product falls within the scope of the patent. However, if the patent is directed to a formulation, polymorph, particle size distribution and the like, then the generic information remains confidential until the generic discloses such information in the product insert.

Another key issue was whether a court would find infringement and give injunctive relief even if the generic product has not yet been launched. This is because under the Korean patent law, the generic's acts of conducting clinical trials and obtaining a product approval do not constitute patent infringement. As such, a patentee generally initiates an infringement action after or immediately before the generic product is approved. This is not an issue in most regular infringement actions since the generic products were often approved by the time the infringement court renders a decision.

However, under the new patent linkage system, the district court may feel obligated to decide the infringement action as soon as possible since: (i) from the patentee's perspective, the sales stay is only effective for nine months from receipt of the generic notice and (ii) from the generic's perspective, a favorable decision in the infringement action is required to remove the sales ban.

In this case, Pfizer and Wyeth asserted that it simply had no

choice but to file the infringement action without knowing Penmix's formulation, in order to meet the requirement for requesting sales stay under the patent linkage system. Pfizer also argued that either Penmix or the MFDS must disclose the generic formulation since it is impossible to know it otherwise.

The Seoul Central District Court was persuaded by these arguments and urged Penmix to clarify whether their generic product falls within the scope of the formulation patent. If Penmix refused, then the court indicated that they will ask the MFDS to produce the relevant information. Thus, Penmix admitted that their product falls within the claim scope of Wyeth's patent. As a result, the court granted an injunctive relief ordering Penmix not to manufacture, sell, etc. their generic products and to discard any intermediate products that may be used to manufacture the generic products.

Now that a new precedent has been put in place through this landmark decision, original drug manufacturers will have a clear avenue in prohibiting generic entry into the market under the Korean patent linkage system.

This article first appeared on Bloomberg BNA (BBNA) in September 2016. For further information, please visit www.bna.com.

IPTAB Rules that Extended Patent Term Covers All Drugs With the Same Approved Active Ingredient and Use

By Mee-Sung SHIM, Tae Min KIM, Jee Yeon HAN and Inchan Andrew KWON

In Korea, the term for a patent covering an approved drug product can be extended to compensate for delays attributable to the drug approval process. However, under Article 95 of the Korean Patent Act, during the extended term, the patent can only be enforced against drugs that are used in the same way as the approved products.

However, it has been unclear whether an extended patent term granted for an approved product containing a single active ingredient also covers a combination product comprising the active ingredient of the approved product and one or more other active ingredients. Recently, an Intellectual Property Trial and Appeal Board ("IPTAB") decision in April 2016 resolving several scope-confirmation action cases filed by Korean generic manufacturers against the same Korean pharmaceutical patent has now answered that question in the affirmative.

Background

The patent in question is owned by an innovator pharmaceutical company, and claims a group of compounds sharing a general chemical formula as well as several medicinal uses for the compounds. The patent was granted a patent term extension ("PTE") based on a related approval for a single-active ingredient drug used to treat hypercholesterolemia, containing one of the claimed compounds as the active ingredient ("A").

The petitioners in the above-mentioned scope-confirmation actions are Korean generic manufacturers who obtained approvals for generic drugs which were combination products containing both A and another active ingredient. The combination product was also to be used for treating hypercholesterolemia. The generic manufacturers sought a ruling that their generic products were outside the scope of the subject patent during the extended patent term on the basis that the extended term was limited to the approved drug product containing a single active ingredient, and thus, could not cover combination products.

The decision

The petitioners argued that product approval would need to be separately obtained for a combination drug product containing A and another active ingredient. In particular, the generics argued that their combination product should be considered to be a different product from the

respondent's approved single-active ingredient product. Thus, the generics argued that under Article 95 of the Patent Act, during the extended term, the patent should not cover the combination product.

The IPTAB first clarified that the drug approval at issue approved the use of A (as the active ingredient) for the treatment of hypercholesterolemia. Therefore, the enforceable scope of the subject patent during the extended term covered the use of A for the treatment of hypercholesterolemia.

The IPTAB then referenced a previous patent infringement case which held that since extended patent terms would be useless if the scope of protection of a patent during the extended term was limited to exactly the same product as the approved product (including all ingredients in the approved product besides the active ingredient), the scope of protection during the extended term should cover all products with the same active ingredient, function, and effect as the approved product, regardless of different dosages, amounts, preparation methods, etc. (Seoul Central District Court, Preliminary Injunction Order, Case No. 2009 Kahap 235 rendered on March 19, 2009).

In view of the above, the IPTAB concluded that because the combination product contained the same active ingredient A as the approved product, and had the same use (for treating hypercholesterolemia), the combination product was covered by the subject patent even during the extended patent term.

Implications

This is the first decision in Korea where a patent covering a single-active ingredient drug approval was used against combination drug products containing the same active ingredient during the extended term of the patent. While IPTAB judgments are not binding legal authority, the decision seems to be in line with the majority opinion in the Korean patent community regarding the proper standard for determining infringement of patents during their extended terms (whether the accused product has the same active ingredient and the same use as the approved product).

Industrial Technology Act Amended to Provide Higher Penalties

By Eun Jin JUNG, Stephen T. BANG and Seung-Chan EOM

After several years of deliberation by the National Assembly, an amendment to the law governing industrial technology leakage was recently passed which now provides for significantly higher criminal and monetary penalties. The Act on Prevention of Divulgence and Protection of Industrial Technology (the "Industrial Technology Act") which was amended (the "Amendment") on March 29, 2016 and took effect from June 30, 2016, reflects the government's growing concern over the potential impact of domestic and foreign leakage of industrial technology.

Previously, the Industrial Technology Act provided that any person who leaked industrial technology could be punished by imprisonment of up to 5 years or a fine of up to KRW 500 million (approx. USD 450,000), and any person who leaked such industrial technology to use, or cause it to be used, in a foreign country could be punished by imprisonment of up to 10 years or a fine of up to KRW 1 billion (approx. USD 0.9 million). The Amendment now significantly increases the maximum legal penalties to imprisonment of up to 7 years or a fine of up to KRW 700 million (approx. USD 630,000) for domestic leakage, and imprisonment of up to 15 years or a fine of up to KRW 1.5 billion (approx. USD 1.35 million) for foreign leakage, as summarized in the table below.

	Previous Law	Amended Law
Leakage leading to or intent for foreign use	Up to 10 years imprisonment or up to KRW 1 billion fine	Up to 15 years imprisonment or up to KRW 1.5 billion fine
Leakage lacking actual foreign use or intent for foreign use	Up to 5 years imprisonment or up to KRW 500 million fine	Up to 7 years imprisonment or up to KRW 700 million fine

Under the Industrial Technology Act, an exporter of information that falls within National Core Technology[1] is required to (i) report the export to the Minister of Trade, Industry and Energy ("MOTIE") if the information resulted from R&D without government funding or (ii) obtain approval for export from MOTIE if the information resulted from R&D supported by government funding.

The strengthened penalties apply to the unapproved export of National Core Technology developed with government R&D funding. In case of non-government funded National Core Technology, if it is exported without reporting, MOTIE may enforce certain measures such as ordering exports to be stopped. Violations of MOTIE's order will cause the strengthened penalties to apply.

The strengthened penalties are in line with the recent trend towards higher protection of trade secrets by the Korean government. For example, the government recently announced plans (i) to expand the scope of National Core Technology to include the fields of robotics, energy, steel and shipbuilding; (ii) to increase the damages amounts; and (iii) to introduce punitive damages in trade secret civil actions.

[1] National Core Technology includes specific categories of technologies in the fields of Electrical and Electronics, Automobile, Steel, Shipbuilding, Atomic Power, Information Technology, Space Technology and Biotechnology.

Korean Court Denies Bulk of Samsung Ex-Employee's Multi-Billion Won Inventor Compensation Claim

By Jongmin LEE and Mikyung (MK) CHOE

On June 23, 2016, the Seoul Central District Court rendered a decision in favor of a former Samsung Electronics researcher ("Plaintiff") in a lawsuit filed against Samsung Display, which sought KRW 2 billion in compensation for an in-service invention developed by the Plaintiff (Seoul Central District Court Decision No. 2014Gahap512263, rendered on June 23, 2016). The Plaintiff alleged he was actually owed KRW 66 billion (approx. USD 56 million), but made an initial partial claim for KRW 2 billion (approx. USD 1.7 million). However, the Court awarded a total of only KRW 48 million (approx. USD 41,000) for the Plaintiff's entire claim.

At Samsung Electronics, the Plaintiff invented a technology relating to the electrode array of the lower substrate within an LCD panel (the "In-Service Invention"). The Plaintiff assigned the In-Service Invention to Samsung Electronics, who then registered a patent for the In-Service Invention. The Plaintiff left Samsung Electronics in approximately 2000, and Samsung Electronics began exploiting the In-Service Invention in its "PLS mode" LCD products beginning in 2010. Samsung Electronics spun off its products division in 2012 into Samsung Display, which inherited Samsung Electronics' liabilities for employees' in-service inventions. Samsung Display also asserted the In-Service Invention in a patent infringement suit against LG Display.

Calculation of the compensation (Plaintiff's vs. Court's)

The following table compares the methods used by the Plaintiff and the Court in calculating the compensation owed in this case.

The Court (i) limited the contribution of the In-Service Invention to the products to 5%, on the basis that only a small part of the finished LCD products exploited the In-Service Invention, and that the sales revenues are largely due to Samsung Display's position in the market and reputation, and recognition of the products by consumers, (ii) found that the contribution of the In-Service Invention to Samsung Display's exclusivity in the market was only 6% based on facts such as that the market share of the newer OLED technology is increasing in the display market at the expense of LCD, and that non-technical factors significantly affect sales of display products. As a result, the Court awarded only about KRW 48 million, rather than the KRW 2 billion claimed by the Plaintiff.

This case provides an important reference regarding the factors likely to be considered by a court when evaluating potential compensation for an employee in-service invention in Korea, such as the level of contribution of the in-service invention to products and to the employer's exclusivity in the market, and the employees' relative contributions to the invention.

Both the Plaintiff and Samsung Display have appealed the case, and while the appeals were originally before the Seoul High Court, they have been transferred to the Patent Court in accordance with the recently-amended Civil Procedure Act and Court Organization Act, which now give the Patent Court exclusive appellate jurisdiction over most intellectual property disputes, including patent rights. Since the Patent Court has not previously heard employee invention disputes, it will be interesting to see whether the Patent Court agrees with the weighing of factors in the first instance decision.

	Plaintiff's calculation	Court's calculation
Compensation formula	Profits earned by Samsung Electronics and Samsung Display from the In-Service Invention [i.e., (Sales revenue from the products) x (Contribution of In-Service Invention to the products) x (hypothetical royalty rate) x (Contribution to exclusivity)] x (Employee-inventors' Contribution) x Plaintiff's contribution among joint inventors)	Profits earned by Samsung Electronics and Samsung Display from the In-Service Invention [i.e., (Sales revenue from the products) x (Contribution of In-Service Invention to the products) x (hypothetical royalty rate) x (Contribution to exclusivity)] x (Employee-inventors' Contribution) x Plaintiff's contribution among joint inventors)
Sales revenue from "PLS mode" LCD products	January 2010 – October 2018 (expiration of the US patent): around KRW 27 trillion (approx. USD 23 billion)	January 2010 – October 2017 (expiration of the Korean patent): around KRW 24 trillion (approx. USD 20.3 billion)
Contribution of In-Service Invention to the products	Plaintiff did not consider this factor.	5%
Hypothetical royalty rate	2.5%	2%
Contribution to exclusivity	70%	6%
Inventors' contribution (vis-à-vis Employer's contribution)	35%	10%
Plaintiff's contribution among joint inventors	40%	1/3
Total compensation	around KRW 66 billion	around KRW 48 million

Comprehensive Amendments to the Korean Trademark Act

By Sung-Nam KIM and Angela KIM

The most recent amendments to the Korean Trademark Act ("Act") went into effect on September 1, 2016. One significant proposed change that was not made was the adoption of a consent system, which was unfortunately not included in the final round of amendments. Some of the major changes that were effected are summarized below.

1. Legal standing no longer required to file non-use cancellation actions

Previously, a party needed to have legal standing in order to petition for cancellation of a mark due to non-use. Standing could be established by showing, for example, that the party conducted business in the same industry as the designated goods or services of the challenged mark, or that they owned an application that was similar or identical to the challenged trademark.

By eliminating this standing requirement, the amendment is expected to make it easier to cancel unused marks and thereby create a larger pool of available trademarks for new market entrants. On the other hand, brand owners are encouraged to review their portfolio and take appropriate measures if they own registered marks that are not in use in Korea.

2. Delayed evaluation of similarity to senior marks

Previously, the Korean Intellectual Property Office would issue an office action against a pending application if there was a similar or identical senior registration or application at the time the pending application was filed. Even if the senior registration was subsequently removed from the register, the examiner would still issue a rejection for the pending application because the senior mark existed as of the application date. The Act has been amended to address this problem by providing that similarity to senior marks will only be reviewed as of the time the registrability of the applied-for mark is being reviewed, rather than the application date.

3. Elimination of one year bar against registering marks similar to expunged marks

A potential applicant previously had to wait a year before registering a mark similar/identical to a registration that was expunged from the register. The intended purpose of this rule was to protect consumers from potential confusion. However, in order to give new market entrants more choices when selecting their trademarks, the amended Act eliminates this one year bar. While all other revisions concerning the registrabillity of a mark apply to applications that are filed on or after the effective date September 1, 2016, this change applies to applications which are examined on or after the effective date.

4. Expanded restrictions against applications filed by agents

The Act previously provided that an agent or representative of a party who owns a registered mark in a treaty member country could not register a similar or identical mark in Korea within one year of the termination of the agency relationship. If such a similar/identical mark was nevertheless improperly registered, the trademark owner had to file a cancellation action within five years of the registration date of the agent's similar/identical mark.

The amended Act expands this provision to prohibit "any party who was in a contractual or business relationship, such as a partnership or employment, or other relationship" from registering a similar or identical mark. The amendment also deletes the one year time limitation, and effectively removes the statute of limitations by providing that the trademark owner may file an invalidation action (rather than a cancellation action) at any time.

5. Limitations on trademark rights clarified

The Act previously provided that a registered trademark right could not be enforced against a mark that solely indicated, "in a common way," a person's own name,

appellation or trade name, portrait, signature, seal, famous pseudonym, professional name or pen name, or a famous abbreviation of any of the above, unless the mark was used for unfair competitive purposes. However, this limitation has been construed narrowly by courts, such that the stylization of marks, variations in English transliterations, and other minor differences have been interpreted as not being use "in a common way." The amended Act changes this term to "in accordance with customary practices," which will make it more challenging to assert a registration against a trade name being used in a stylized way, etc.

No More Playing – A New Victory for Hermès in Korea

By Ann Nam-Yeon KWON and Alexandra BÉLEC

Fresh off of its recent victories in the "Ginger bags" case,[1] Hermès recently won another civil lawsuit in Korea based on the catch-all provision of the Unfair Competition Prevention and Trade Secret Protection Act ("UCPA") against a different Korean entity called "Play No More." The UCPA catch-all provision protects a party's right to profit from work and intellectual property that it has produced at considerable effort or investment (whether or not registered in Korea), by prohibiting the unauthorized commercial use of such work and IP by others in a manner that contravenes fair trade practice or competition order.

The defendant in this case (Play No More) was selling imitations of the famous Hermès Kelly and Birkin bags on which it had affixed various patches of eyes, lips and other designs, such as in the image below.

The Seoul Central District Court confirmed that the designs of the Kelly and Birkin bags were protected by the catch-all provision, having been produced after substantial investment and effort by Hermès. The Court highlighted the fact that costly luxury handbags generally are manufactured in small quantities and purchased by relatively few customers, that the reputation and image of such handbags are part of their design and appeal, and that such elements are key to the value of these products and thus important drivers for their purchase. The Court further noted that because Hermès' trademarks were found only inside their products, it was the unique characteristics of the bags themselves that made them distinctive. Therefore, the Court concluded that these designs should be given legal protection and not given over to the public domain.

Play No More argued that there was no risk of consumer confusion, which the Court acknowledged. Nevertheless, the Court found that the defendant had imitated the shapes of Hermès' bags and that this had contributed considerably to the popularity enjoyed by Play No More's products as well as allowing them to charge abnormally high prices for what were fake leather products. The Court also noted that Play No More's slogan, "Fake For Fun," implied that Play No More intended to free-ride on Hermès' goodwill. The Court concluded that Play No More's unauthorized actions unfairly took advantage of Hermes' work product and were conducted in a manner contravening fair trade practices and competition order.

As a result, the court ordered a permanent injunction on the manufacture and sale of the infringing products and damages in the amount of KRW 100 million (about USD 83,600). The District Court's decision is currently under appeal.

[1] For more details on the Ginger bags case, please see our Spring 2015 newsletter and Spring 2016 newsletter.

"Improper Use" Is Improper No Matter When It Starts

By Young Joo SONG and Angela KIM

In Korea, one ground for cancellation of a registered trademark is for "improper use" of the trademark by the registrant or its licensee in a manner causing consumer confusion. One form of improper use can occur when one registers a mark, but then subsequently uses a different but similar mark to sell goods that also happens to be similar to another party's registered mark, thereby causing confusion with the other party's mark. Depending on the relative similarity of the utilized mark to each of the registered marks, it can be tricky to prove that the registrant intended to cause confusion and therefore cause the cancellation of the registered mark. In a recent Korean case involving Discovery Communication's ("Discovery's") DISCOVERY and DISCOVERY EXPEDITION marks, the infringer went a step further by using multiple marks similar to the DISCOVERY marks to sell goods, while selectively registering only the least similar mark, in the hope that this would effectively insulate his use of all of the marks.

Beginning in August 2012, the DISCOVERY marks were licensed by a Korean company and used to sell the "Discovery Expedition" brand of clothes in Korea, which immediately became quite popular:

In 2013, an individual named Youn-houk Choi filed a trademark application for the DICOVERY mark, which was directed to clothing and services related to sales of clothing and shoes. At the same time, Mr. Choi was using several other similar marks such as DICOVERY, DICOVERY, and Di DICOVERY to sell clothes on the market, such as the following:

Mr. Choi made only nominal use of the DICOVERY mark itself, however.

While Discovery opposed the registration of the DICOVERY mark at the Korean Intellectual Property Office ("KIPO") in view of its own registered DISCOVERY marks, KIPO rejected Discovery's opposition and allowed the registration to Mr. Choi, finding the mark sufficiently distinctive compared to the DISCOVERY marks. Discovery subsequently filed an "improper use" cancellation action against the DICOVERY mark at the Intellectual Property Trial and Appeal Board ("IPTAB"), on the basis of the confusion caused by Mr. Choi's use of the various marks similar to but different from his registered mark. The IPTAB agreed that this use amounted to "improper use" and cancelled the DICOVERY registration.

On appeal, Mr. Choi tried to argue that the IPTAB decision was improper because he had been using all of the marks including the DICOVERY mark at the same time, before the DICOVERY mark had even been registered (so his use could not constitute "improper use" of a registered mark). He also pointed out that both KIPO and the IPTAB had agreed that the DICOVERY mark itself was dissimilar to Discovery's DISCOVERY marks, and thus that it was improper to cancel the DICOVERY mark based on alleged confusion with the DISCOVERY marks.

However, both the Patent Court and the Supreme Court affirmed the cancellation decision. The Supreme Court specifically clarified that an "improper use" cancellation action applies where a party uses multiple similar marks but subsequently registers only one or a few, if the unregistered marks are causing consumer confusion (Supreme Court Case No. 2016Hu663). The Supreme Court thus rejected Mr. Choi's attempt to parse a legal loophole out of the "improper use" statute, and has now provided additional protection to registered trademark holders from intentional abuses of other registrations for the purpose of causing confusion.

FIRM NEWS

Awards & Rankings

Kim & Chang ranked Tier 1 across all areas in ALB 2016 IP Rankings

Kim & Chang has been recognized as a Tier 1 firm in Korea in the patents and trademarks/copyright categories in Asian Legal Business (ALB)'s 2016 IP Rankings.

ALB is a legal publication owned by Thomson Reuters, the world's leading source of intelligent information for businesses and professionals. Its rankings are based on research and interviews with a wide variety of lawyers and clients in Asia.

Kim & Chang named in IAM Patent 1000 - The World's Leading Patent Professionals

Kim & Chang has been ranked in the Gold (highest) band for litigation and transactions and recognized as a highly recommended firm for prosecution in Korea in the fifth edition of the Intellectual Asset Management (IAM) Patent 1000 – The World's Leading Patent Professionals.

In addition, 5 Kim & Chang professionals – **Duck-Soon Chang, Kenneth K. Cho, Jay J. Kim, Chun Y. Yang**, and **Jay (Young-June) Yang** – have been identified as recommended individuals for litigation in Korea.

The IAM Patent 1000 is a guide to top patent practitioners in key jurisdictions around the globe. Their rankings are based on in-depth research and interviews with numerous attorneys at law, patent attorneys and in-house counsel.

Kim & Chang ranked Tier 1 in 2016 Asia IP Profiles

Kim & Chang has been recognized as a Tier 1 firm in Korea in every category covered – patent prosecution, patent contentious, trademark prosecution, trademark contentious, and copyright – in Asia IP Profiles 2016.

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.

Kim & Chang professionals recognized in Asialaw Leading Lawyers 2016

19 Kim & Chang professionals have been recognized in the 2016 edition of Asialaw Leading Lawyers. In the Intellectual Property category, Jay (Young-June) Yang was selected as a leading lawyer.

Asialaw Leading Lawyers is researched and published by Legal Media Group of Euromoney Institutional Investor PLC. It is one of the largest annual surveys of Asia Pacific-focused private practitioners and a comprehensive resource for corporate counsel around the world.

Kim & Chang professionals recognized by Who's Who Legal

4 Kim & Chang professionals – **Duck-Soon Chang, Kenneth K. Cho, Man-Gi Paik,** and **Jay (Young-June) Yang** – have been recognized as leading practitioners in Who's Who Legal: Patents 2016.

Further, 5 Kim & Chang professionals – **Alex Hyon Cho, Sung-Nam Kim, Ann Nam-Yeon Kwon, Robin Gill-Sang Lee,** and **Jay (Young-June) Yang** – have been recognized as leading practitioners in Who's Who Legal: Trademarks 2016.

The Who's Who Legal series 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, the Who's Who Legal series has identified the foremost legal practitioners in multiple areas of business law.

Kim & Chang professionals named to Euromoney's 2016 Expert Guides

4 Kim & Chang professionals – **Alex Hyon Cho, Sang-Wook Han, Ann Nam-Yeon Kwon,** and **Jay (Young-June) Yang** – have been recognized as among Korea's leading trademark practitioners in the latest edition of the Guide to the

World's Leading Trademark Law Practitioners. Also, Ms. Kwon has been recognized as a leading practitioner in the 6th edition of the Guide to the World's Leading Women in Business Law.

In addition, **Yoon-Seong Cho** and **Sang-Nam Lee** have been recognized to appear in the second edition of the LMG Rising Stars 2016 guide.

Expert Guides series, published by Euromoney Institutional Investor PLC, is designed primarily for individuals who need access to the world's leading business lawyers in specific areas of law.

EVENTS

PTMG Conference in Oslo, October 5-8, 2016

Young Joo Song, a trademark attorney in the firm's IP Group, will attend the upcoming PTMG Conference to be held in Oslo from October 5 to 8, 2016. Ms. Song will present on "Hot topics in Korea" in a session titled "Asian Update" on Friday, October 7, 2016.

Established in 1970, PTMG (Pharmaceutical Trade Marks Group) is an organization of trademark professionals in the pharmaceutical and related industries. With the objective of enabling its members to meet at regular intervals to consider and exchange ideas on problems of mutual interest, PTMG organizes two conferences each year in Spring and Autumn and brings together industry experts from all over the world for information exchange, cooperation, and networking.

KIM & CHANG
INTELLECTUAL PROPERTY
Jeongdong Building, 17F, 21-15 Jeongdong-gil, Jung-gu, Seoul 04518, Korea
Tel: +82-2-2122-3900 Fax: +82-2-2122-3800 E-mail: ip-group@kimchang.com www.ip.kimchang.com