KIM & CHANG

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Newsletter

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PATENT

TRADEMARK, COPYRIGHT & UNFAIR COMPETITION

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NEWS

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Kim & Chang Recognized in Eight Categories Including "Intellectual Property Firm of the Year" – asialaw Awards 2023

Only Korean Firm in the World's Top 100 Law Firms Ranking – The American Lawyer's The Global 200 (2023)

PATENT

KIPO's Proposed Change of Official Fees Is Now Effective

By Kyoung-Soo JIN and Sooho LEE

Amendments to the Korean Enforcement Rule on Collection of Patent Fees, etc. (hereinafter, "New Rule") became effective on August 1, 2023, resulting in changes to official KIPO fees including request for examination fees, annuity payments, and fees for filing divisional applications, among others. Under the New Rule, applicants should pay close attention to the number of claims as the increased fee would be felt most when requesting examination. Some of the more notable changes are outlined in detail below.

1. Requests for Examination and Annuity

The New Rule increases the request for examination fees by about 15-16% but reduces annuity payments by about 7-15%. **Table 1** provides a more detailed breakdown of the changes.

Table 1. Official fees for examination request and annuity

*Currency: Korean Won (USD based on the currency rate as of July 31, 2023)

			Before Change	After Change	% Change
Request for Examination		Basic Fee	143,000 (about USD 112)	166,000 (about USD 130)	About +16%
		Fee for Each Claim	44,000 (about USD 35)	51,000 (about USD 40)	About +15%
Annuity	Years 1 to 3 (Paid in one lump sum for 3 years)	Basic Fee	45,000 (about USD 35)	39,000 (about USD 31)	About -15%
		Fee for Each Claim	39,000 (about USD 31)	36,000 (about USD 28)	About -7%
	Years 4 to 6 (paid each year)	Basic Fee	40,000 (about USD 31)	36,000 (about USD 28)	About -10%
		Fee for Each Claim	22,000 (about USD 17)	20,000 (about USD 16)	About -12%
	Years 7 to 9 (paid each year)	Basic Fee	100,000 (about USD 78)	90,000 (about USD 71)	About -9%
		Fee for Each Claim	38,000 (about USD 30)	34,000 (about USD 27)	About -10%

			Before Change	After Change	% Change
	Years 10 to 12 (paid each year)	Basic Fee	240,000 (about USD 188)	216,000 (about USD 169)	About -10%
		Fee for Each Claim	55,000 (about USD 43)	49,000 (about USD 38)	About -10%
	Years 13 to 25 (paid each year)	Basic Fee	360,000 (about USD 282)	324,000 (about USD 254)	About -10%
		Fee for Each Claim	55,000 (about USD 43)	49,000 (about USD 38)	About -10%

Fees for requesting examination and annuity payments for an exemplary application with 20 claims is provided in **Table 2** to highlight how the New Rule would impact a typical application.

Table 2. Official fees for examination request and annuity for a typical patent application with 20 claims

*Currency: Korean Won (USD based on the currency rate as of July 31, 2023)

		Before Change	After Change	Amount Changed
Request for Examination		1,023,000 (about USD 802)	1,186,000 (about USD 930)	+ 163,000 (About + USD 128)
Annuity	Years 1 to 3 (Paid in one lump sum for 3 years)	825,000 (about USD 647)	759,000 (about USD 595)	- 66,000 (About - USD 52)
	Years 4 to 6	480,000 (about USD 377)	436,000 (about USD 342)	- 44,000 (About - USD 35)
	Years 7 to 9	860,000 (about USD 675)	770,000 (about USD 604)	- 90,000 (About - USD 71)
	Years 10 to 12	1,340,000 (about USD 1,051)	1,196,000 (about USD 938)	- 144,000 (About - USD 113)
	Years 13 to 25	1,460,000 (about USD 1,145)	1,304,000 (about USD 1,023)	- 156,000 (About - USD 122)

NOTE: The amount of changes in official fees increases as the number of claims increases.

The applicable dates for the above fee changes under the New Rule are as follows:

- **Increased Examination Fees:** Applies to applications filed on or after August 1, 2023
- **Reduced Annuity (Years 1 to 3):** Applies to applications for which a Notice of Allowance is issued on or after August 1, 2023
- **Reduced Annuity (From Year 4 Onwards):** Applies to patents for which payment deadline is on or after August 1, 2023.

The new fees for examination requests and annuity payments only apply to patents and are not applicable to utility models, design patents, and trademarks.

2. Divisional Filing

Under the old rules, the official fees for filing a divisional application remained the same regardless of the number of times a divisional application has been filed. However, under the New Rule, the official fees will increase proportionally with the number of times a divisional application is filed. **Table 3** provides details of the changes.

Table 3. Official fees for filing a divisional application

*Currency: Korean Won (USD based on the currency rate as of July 31, 2023)

		Before Change	After Change	% Increase
1st Divisional	Electronic Filing	46,000 (about USD 36)	46,000 (about USD 36)	0
	Paper Filing	66,000 (about USD 52)	66,000 (about USD 52)	0
	English-Language Filing	73,000 (about USD 57)	73,000 (about USD 57)	0
2nd Divisional	Electronic Filing	Same as 1st Divisional Filing	92,000 (about USD 72)	200%
	Paper Filing		132,000 (about USD 104)	200%
	English-Language Filing		146,000 (about USD 115)	200%
3rd Divisional	Electronic Filing		138,000 (about USD 108)	300%
	Paper Filing		198,000 (about USD 155)	300%
	English-Language Filing		219,000 (about USD 172)	300%
4th Divisional	Electronic Filing		184,000 (about USD 144)	400%
	Paper Filing		264,000 (about USD 207)	400%
	English-Language Filing		292,000 (about USD 229)	400%
5th or more Divisional	Electronic Filing		230,000 (about USD 180)	500%
	Paper Filing		330,000 (about USD 259)	500%
	English-Language Filing		365,000 (about USD 286)	500%

The new official fees for divisional applications aim at discouraging abuse of the divisional application process as a means of prolonging the pendency of the application.

The fee changes for divisional applications only apply to patents and are not applicable to utility models, design patents, and trademarks.

3. Official Fees for Trademark Applications

Under the old rules, an official fee of KRW 2,000 is incurred for each item in excess of twenty items (goods/services) per class at the filing and registration stages of trademark applications. The New Rule reduces the number of items to ten.

In addition, the filing fee and the registration fee for trademark applications are reduced from KRW 62,000 to KRW 52,000 (per class) and from KRW 211,000 to KRW 201,000 (per class), respectively.

In practice, we do not expect the total application fee and registration fee to change substantially despite the changes under the New Rule.

4. Uniform Transfer of Registration Fees

Under the New Rule, a standard fee of KRW 40,000 is incurred for transferring registration of all types of intellectual property rights – patents, utility models, designs, and trademarks as shown in **Table 4**.

Table 4. Official fees for transferring registration

*Currency: Korean Won (USD based on the currency rate as of July 31, 2023)

Type of Rights	Before Change	After Change
Patent	53,000 (about USD 42)	40,000 (about USD 31)
Utility Model	40,000 (about USD 31)	
Design	40,000 (about USD 31)	
Trademark	113,000 (about USD 89)	

Korean IP High Court Reaffirms Foreign Clinical Trial Periods Should Be Included in PTE and That KIPO Policy Should Be Eased

By Kevin Kyumin LEE, Ji Eun SHIN and Sang Young LEE

On July 5, 2023, the Korean IP High Court (formerly Patent Court) rendered an important decision in the ongoing invalidation litigation relating to Novartis' Galvus® product, a type-2 diabetes mellitus treatment drug, implying that the Korean Intellectual Property Office (KIPO) should be more inclusive in compensating for delays due to drug approval procedures by allowing additional patent term extension (PTE). This is the second time the IP High Court has issued a decision in the PTE invalidation actions filed by local generics against the Galvus® compound patent, after the case was remanded by the Supreme Court. Please click the link for our newsletter covering the earlier IP High Court decision in 2020.

As in the first IP High Court decision in this case, the IP High Court confirmed in the new decision that PTE term should be calculated as provided under the Korean Pharmaceutical Affairs Act and its subordinate regulations, which admit foreign clinical trial data as well as domestic clinical trial data when obtaining drug approval from the Ministry of Food and Drug Safety (MFDS). Thus, the Court once again affirmed that foreign clinical trial periods should not be excluded from PTE. This is in contrast to the KIPO PTE Notice governing the current PTE calculation system, which wholly excludes foreign clinical trials from PTE.

In addition, the IP High Court implicitly disagreed with KIPO's current practice of automatically denying PTE for time taken by a marketing approval ("MA") applicant to respond to an MFDS supplementation request during approval review, citing it as "a delay due to the applicant." The Court indicated that even if the MFDS issues a supplementation request during the approval process, this should not simply be assumed to be a delay attributable to the applicant. The Court reasoned that there was no legal basis for applying a duty of care to an MA applicant to submit "all" regulatory documents at the beginning of drug approval proceedings (and therefore no duty to avoid the need for supplementation during the proceedings). As grounds for these conclusions, it cited the highly discretionary nature of MFDS review, which often presents difficulties to MA applicants in preparing responses. The Court implied that whether and how much of a given period of supplementation should be attributed as applicant delay should be determined on a case-by-case basis after reviewing the circumstances.

In spite of the IP High Court's ruling (which has been appealed to the Supreme Court), KIPO is not likely to change its current PTE practice soon, at least until the Supreme Court finally confirms the IP High Court's decision. Nevertheless, this recent decision reflects the growing trend in the judicial system to be more conscious of the PTE rights of patentees.

Korean Courts Enforce Generic's Obligation to Pay Royalties in Exchange for Data Provided Under a Joint Development Agreement

By Jae Ha LEE, Amy Seung Hyun OH and Mikyung (MK) CHOE

In this case of first impression in Korea, the Korean courts recently recognized as enforceable an obligation by one drug company to pay royalties to another drug company, on the basis that the royalties were consideration in exchange for the right to sell products based on R&D data provided by the other company pursuant to a joint pharmaceutical development agreement in order to obtain drug approval, and not for the grant of a patent license. Kim & Chang's Healthcare Practice and Intellectual Property Practice Groups represented Alvogen Korea Co., Ltd. ("Plaintiff") in a suit to collect royalties from a co-party to the agreement ("Partner"), and after prevailing in the case at the first instance, Partner was eventually ordered to pay about KRW 11.1 billion in royalties (about USD 8.4 million) as a result of a court-mediated settlement on appeal.

The joint development agreement in this case ("JDA") was of a type frequently used in the pharmaceutical industry in Korea, under which the parties agreed to the following: one party (Plaintiff in this case, who had a patent on the product) would conduct research and development for a pharmaceutical product (including establishing the manufacturing process and clinical studies), and the other party (Partner in this case) would be granted a license to use the data generated from the R&D to apply for drug approval and, if drug approval was successfully obtained, the other party would pay consideration to the first party, including as a lump sum payment, payment for supply of the product under a contract manufacturing agreement, and/or royalties.

In this case, Plaintiff entered into the JDA with Partner while conducting R&D to obtain drug approval for an incrementally modified drug (IMD) containing rosuvastatin-ezetimibe, a drug for treatment of hyperlipidemia, during the re-evaluation (or post-marketing surveillance (PMS)) period for said product. Based on the full set of R&D data provided by Plaintiff, including clinical data, Partner was able to obtain approval of the IMD from the Ministry of Food and Drug Safety. Initially, the products were manufactured by Plaintiff and supplied to Partner under a contract manufacturing agreement, and were then very profitably distributed in Korea by Partner. However, once the 3-year mandatory supply period under the contract manufacturing agreement ended, Partner modified certain excipients of the drug and received an amended drug approval, and then terminated the contract manufacturing agreement in order to manufacture and sell the modified products on its own. Partner did not pay any royalties or fees to Plaintiff for sales of the modified product, on the basis that due to the modification, the new product was not covered by the JDA.

Plaintiff sued Partner and asserted the following arguments: (1) The premise behind the JDA was that a share of any profits earned from the sale of products approved based on data provided by Plaintiff under the JDA would be shared with Plaintiff, who bore all of the risk of the R&D, and therefore Partner was obligated to share such profits even after termination of the separate contract manufacturing agreement; (2) the amended drug approval was granted based on equivalence to the first drug approval, and since the portions of the approval that were based on data from the JDA did not change, the modified product was substantially the same as the original product, and the changes to the excipients were trivial; (3) since PMS provides de facto data exclusivity that prevents generic products from entering the market for a certain period of time, any generic drug that is able to enter the market early during the PMS period for the original drug is certain to generate large profits and substantial market share; and (4) Partner was able to obtain early drug approval during the PMS period for the original drug as a result of data provided by Plaintiff under the JDA, and thereby achieve its objectives under the JDA.

In view of the above, the first instance court found that Partner was indeed obligated to pay royalties to Plaintiff after the initial 3-year period, and the IP High Court (the appellate court) affirmed and ordered Partner to pay royalties for future profits in installments for six years.

Can Artificial Intelligence (AI) Be an Inventor in Korea?

By Ho Yeon LEE and Aeree KO

With the rapid advancement of AI technologies these days, the issue of whether AI can be an inventor is being hotly debated in many countries. Recently, the Korean court issued a decision denying that AI qualifies as an inventor.

As we reported in the previous issue of our newsletter (link), the Korean Intellectual Property Office (KIPO) addressed this issue in examining a Korean patent application (App. No. 10-2020-7007394) that named AI called "Device for the Autonomous Bootstrapping of Unified Sentience (DABUS)" as an inventor. The invention was originally filed under the Patent Cooperation Treaty (PCT) on September 17, 2019. When the application entered the Korean national phase, KIPO dismissed the application on September 28, 2022 on the basis that only a natural person can be an inventor. The dismissal of the application was appealed to the Seoul Administrative Court in December 2022.

On June 30, 2023, the Seoul Administrative Court rendered a ruling affirming the KIPO's dismissal. In the course of the appeal proceedings, the applicant-appellant argued, among others, that DABUS independently created the invention without any human intervention, and if such AI is not allowed to be listed as an inventor, there would be no way to protect AI-created inventions, which would be against the spirit and purpose of the Patent Act of promoting technological and industrial development. The Court did not accept the applicant's arguments.

The main grounds for the Court's ruling are as follows:

- Article 33 of the Korean Patent Act (KPA) expressly stipulates that a "person" who creates an invention or his/her successor owns the right to obtain a patent on the invention. The statutory language thus indicates that only a natural person who creates an invention can be identified as an inventor. Also, under Article 2-1 of the KPA, an invention is defined as a "high level creation of a technical idea using the laws of nature." Such "technical idea" and "creation" are premised on human mental process and mental activities.

- In order for an inventor to obtain a patent right for his/her invention, the inventor must have legal capacity. Under Articles 3 and 34 of the Korean Civil Act, only a natural person or a corporation can be endowed with legal capacity. Since AI is neither a natural person nor a corporation, and instead may be viewed as a tangible thing in the form of software and hardware under the civil law, AI cannot be given legal capacity.

- There is no sufficient rational basis to conclude that allowing AI to be an inventor would ultimately contribute to promotion of technological and industrial development in our society. Rather, it may pose a risk of atrophying human intelligence in the future, which in turn adversely affects human innovation or research. There is also a risk that the patent system will become a means of protecting the rights and interests of only a small number of big companies who can monopolize powerful AI technologies.

Interestingly, the Court left open the possibility that this issue may be treated differently in the event of emergence of "strong AI" in the future through relevant changes in law after technical and policy discussions and decisions. According to the Court, strong AI refers to an AI that is capable of thinking and drawing conclusions on its own like humans based on big data without being limited to a specific field – which is in contrast to a "weak AI" which can draw inferences simply by repeatedly learning algorithms, data, and rules related to a specific area. The Court concluded that DABUS does not seem to be strong AI because there was considerable intervention by a human in AI training process, and a patent attorney collected the sentences and graphs created by AI and rewrote them in the form of a patent specification.

This patent application was filed pursuant to the Artificial Inventor Project, headed by Stephen Thaler, as one of a series of test cases filed worldwide "seeking intellectual property rights for AI-generated output in the absence of a traditional human inventor or author," according to the project website. Mr. Thaler has filed national phase patent applications based on the above PCT application in over ten countries (including the US, the UK, Australia, Germany, New Zealand, and Israel) while identifying DABUS as an inventor. Most of the applications except South Africa have been rejected so far mainly on the basis that AI <u>cannot</u> be an inventor. Although South Africa is the only country to have granted a patent to an AI inventor, it appears the application in South Africa was not subject to examination on the inventorship issue at the national phase stage since the patent office of South Africa only checks for basic formal requirements.

Overall, the established legal principle under the Korean patent law appears to be that an inventor must be a natural person at least for now. However, it still remains to be seen whether the legal principle will continue to be maintained. More advancement of AI technologies in the future will likely trigger serious debates and discussions on procedural changes in favor of recognizing AI inventors.

Changes to the IPTAB Proceedings to Allow Third Party Participation and Promote Efficiency

By Hyun Taek HONG and Sooho LEE

On September 14, 2023, amendments to the Patent Act, Trademark Act, Design Protection Act, and Utility Act ("Amendment") were promulgated, which (i) introduces a third party trial witness system and (ii) allows the Intellectual Property Trial and Appeal Board (IPTAB) to unilaterally amend obvious errors in petitions for trial in IPTAB proceedings. Following a six month public notice period, the Amendment will become effective on March 15, 2024.

Third Party Trial Witness

The Amendment introduces a third party trial witness system in IPTAB proceedings where (i) a third party witness may be allowed to submit a written opinion in a proceeding at the discretion of the administrative judge ("AJ") or (ii) national institutions or government agencies may submit a written opinion to the IPTAB on matters related to public interest. Under both scenarios, if a third party is allowed to submit an opinion, the AJ shall provide the party to the proceeding an opportunity to respond to the submitted opinion.

Prior to the Amendment, only parties to the proceeding could file a petition to intervene in a trial and it was not possible for third parties or national institutions or government agencies to submit opinions. The Amendment may result in more complete and precise decisions by the IPTAB, but may also result in potential unnecessary interventions and proceedings taking longer to complete.

Ex-officio Amendment of Petitions for Trial

The Amendment allows the AJ to amend clear and obvious errors in petitions for trial *sua sponte*. Any such amendments by the AJ will be notified to the petitioner. The scope of the AJ's amendments to the petitions is limited to obvious errors. However, if the petitioner objects, the petitioner may file a written opinion within seven days which would purge any amendments made by the AJ from the records.

Previously, if a petition for trial contained errors, the AJ would notify the petitioner and request the petitioner to amend the petition within a certain period time, even for clear and obvious errors. It is expected the Amendment will reduce the time to correct such errors and make the petitioning process more efficient.

A Letter of Consent System Is Among the Notable Amendments to the Korean Trademark Act Coming Into Effect Next Spring

By Sue Su-Yeon CHUN and Angela KIM

The bill that introduces the long awaited letter of consent system and other notable amendments to the Korean Trademark Act ("KTA"), was passed by the National Assembly on October 6, 2023. The amendments will be promulgated soon and are expected to come into effect around April 2024, six months after the promulgation. We highlight the notable amendments below.

1. Introduction of a letter of consent system

Under the current KTA, letters of consent cannot be accepted as a means of overcoming office actions citing senior marks. As a result, parties who agree to co-exist have been utilizing an assignment/assignment back strategy to temporarily place the application and the senior mark under the ownership of one of the parties until the application is registered. Once the new amendments come into effect, consent letters can be used to overcome such rejections instead, as long as the parties do not intend to register identical marks for the same goods. The amendments further specify that consents can be submitted for applications which are still pending when the amended KTA comes into effect, making it possible to start using the new system immediately.

According to KIPO's statistics, about 40% of all trademark-related office actions issued by KIPO in 2022 involved a rejection based on conflict with a senior mark. As consent letters are not currently accepted even if the applicant and cited mark owner are related entities, the adoption of the consent system will reflect actual trade practices and significantly ease the process of obtaining a registration where the parties are willing to co-exist.

The amendments also introduce a protective measure that allows for the cancellation of a mark that was registered based on a letter of consent, if it is used for unfair competitive purposes and causes consumer confusion and/or deception. If a registration is cancelled based on the above ground, the registrant will be prohibited from registering a mark that is identical or similar to the cancelled mark for goods which are identical or similar to the goods of the cancelled mark, if the application is filed before three years pass from the date the cancellation decision becomes final and conclusive.

2. Automatic recognition of priority for converted applications

Under the KTA, applications can be converted in several instances. That is, collective mark and certification mark applications can be converted into general trademark applications, and vice versa. Certification mark and collective mark applications can be converted into the other, and a goods-addition application can be converted into a general trademark application. However, under current practice, even if the original application claimed priority, such priority must be specifically claimed also for the converted application, and the priority documents must also be separately submitted.

The amended KTA will provide that as long as priority was properly claimed in the original application, the same priority claim will automatically be recognized for the converted application. Furthermore, if the priority documents were submitted for the original application, such documents will be considered to have been submitted for the converted application as well.

This amendment will eliminate unnecessary rejections based on an inadvertent omission of the priority claim and/or the documents for converted applications.

3. Extinguishment of trademark rights

The current KTA stipulates that if an heir has failed to record the transfer of a trademark registration within three years of the death of the trademark registrant, the trademark rights will expire the day after the three year period ends. However, there is no provision that addresses the case where there is no heir.

Accordingly, the amended KTA includes a clause specifying that trademark rights will immediately expire if the deceased registrant has no known heirs at the time of death.

4. Allowance of divisional applications for International Registrations

Under the KTA, the owner of a trademark application or registration can partially assign some of the goods in their application or registration. Additionally, any designated good can be divided out of an application or a registration. However, for extension applications and registrations obtained through the Madrid Protocol, a divisional application of goods is allowed only when accompanied by a partial assignment. The most significant effect of this is that the option of filing a divisional application when only a portion of the goods is preliminarily rejected, which is available for national applications, is not available for Madrid Protocol applications.

The amended KTA removes such limitations, so that applicants using the Madrid Protocol system can also divide their application or registration for any of the designated goods.

5. Relaxation of the requirements for replacement of a national registration by an International Registration

When filing an application for an international trademark registration ("IR") designating Korea, the current KTA provides that if the holder of a Korean national registration satisfies the following requirements, the extension application will be deemed to have been filed on the application date of the Korean national registration, to the extent that the designated goods overlap: (i) the compared marks are identical; (ii) the holder of the IR and that of the Korean national registration are identical; (iii) all the goods listed in the national registration are also listed in the IR; and (iv) the territory extension of the IR takes effect after the date of the national registration.

To reflect the recent revision of the corresponding clause in the Regulations under the Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks, the amended KTA removes the above requirement (iii).

Amendment to UCPA That Protects Good Faith Prior Users Entered Into Force on September 29, 2023

By Seok Hyun KWON, Clare Ryeojin PARK and Jason J. LEE

The Korean Intellectual Property Office announced that the amendment of the Unfair Competition Prevention and Trade Secret Protection Act ("UCPA"), including a provision to allow those who first used a trademark identical or similar to another person's well-known mark in Korea without improper purpose ("Good Faith Prior User") to continue using the trademark, entered into force on September 29, 2023.

Before this amendment to the UCPA, the provision prohibiting the act of using a mark similar or identical to another person's mark that is well-known in Korea to cause confusion as to the source of a product or business ("consumer confusion provision") did not have an exception for a Good Faith Prior User. Accordingly, a Good Faith Prior User could not use its mark after another person's mark became well-known in Korea. Unlike the consumer confusion provision, the UCPA's provision prohibiting trademark dilution allowed an exception for Good Faith Prior Users before the recent amendment. This was subject to some criticism as being unfair to Good Faith Prior Users.

In order to resolve such unfairness, this amendment to the UCPA allows an exception for Good Faith Prior Users by removing "acts of continuously using, without improper purpose, a mark similar or identical to another person's mark since before that mark became well-known in Korea" from the scope of acts considered to be unfair competition. At the same time, this amendment also includes a provision allowing the legitimate owner of a well-known mark to require Good Faith Prior Users to make and use labels as needed to prevent such confusion and/or deception, in order to remove the risk of consumer confusion and/or deception which may be caused due to the co-existence of the Good Faith Prior User's mark and another person's well-known mark in the same market.

It is expected that this amendment to the UCPA can protect Good Faith Prior Users from unexpected legal disputes. However, from the viewpoint of the owners of well-known marks, since there is a risk that they could bear unforeseen damages caused by the co-existence of identical or similar marks in the same market, it is strongly recommended for such owners to closely monitor their trademark use and seek appropriate measures against Good Faith Prior Users if necessary.

IP High Court Rules "SWEET SAPPHIRE" Is a Trademark, Not a Generic Grape Variety

By Hyun Joo HONG, Inchan Andrew KWON and Minjung PARK

The IP High Court has ruled that the grape brands "SWEET SAPPHIRE" and "BLACK SAPPHIRE," which are famous for their high sugar content and long shape, are valid trademarks of International Fruit Genetics LLC ("IFG"), and cannot be seen as general breed names for these grapes.

In February 2019, IFG, a U.S.-based fruit-breeding company, filed trademark applications for "SWEET SAPPHIRE" and "BLACK SAPPHIRE" for "Fresh Grapes" and other goods in Class 31. However, the Korean Intellectual Property Office (KIPO) and the Intellectual Property Trial and Appeal Board (IPTAB) both rejected the applications under Article 33(1)7 of the Trademark Act, ruling that the applied-for trademarks were generally recognized by consumers to refer to grape varieties, not particular source identifiers, and that allowing a single entity to monopolize the trademark for its own commercial use was against public interest. IFG appealed to the IP High Court (formerly the Patent Court), which held there was insufficient evidence that the trademark applied for by IFG was in fact used and recognized as a variety of grapes, and revoked the IPTAB decision. KIPO appealed further to the Supreme Court, but the Supreme Court dismissed the appeal without any substantive review, affirming the IP High Court decision.

[IFG's Sweet Sapphire™ Grapes]

The key issue in this case was whether IFG could prove that the cultivar name of the grape in question was "IFG Six," and that the applied-for marks were source identifiers for IFG's products.

Based on advice from Kim & Chang, IFG was able to present various evidentiary materials showing they distinguished between the patented variety name IFG Six and the trademark "Sweet Sapphire" used to refer to the variety, which the IP High Court then cited to reach a judgment in favor of IFG.

In detail, the IP High Court reasoned that the applied-for marks were not generally recognized to refer to "fresh grapes (fresh fruit)" in light of the following: (i) the materials submitted by IFG, such as US registrations, AU Plant Breeders Rights, screenshot images of the IFG website, etc., clearly confirmed that IFG used IFG Six as a patented table grape variety name and "Sweet Sapphire" as a trademark for this specific variety; (ii) the IFG Six grape variety has been imported into Korea since around 2018, and "SWEET SAPPHIRE" has been indicated as a trademark on the packaging during that time, as well as declared to the Korea Seed and Variety Service as a trade name for the IFG Six variety; and (iii) KIPO's evidence only showed a few cases where consumers mistakenly used "Sweet Sapphire," "Black Sapphire," or "Moon Drops" as variety names for IFG Six.

IFG sells its grape products around the world, and there is high demand for the distinctive and delicious table grape varieties they develop. Because IFG did not have plant variety rights in Korea giving them direct protection over these grape varieties, this case was important to providing IFG with means to effectively protect its IP and trademark rights in Korea.

As of August 11, 2023, IFG has merged with SNFL Group (Special New Fruit Licensing) to create the world's largest premium fruit-breeding company BLOOM FRESH International.

About BLOOM FRESH International Limited
BLOOM FRESH International is the world's largest premium fruit-breeding company, created by the merger of SNFL Group (Special New Fruit Licensing) and International Fruit Genetics, LLC (IFG). With 45 years of combined experience, BLOOM uses natural breeding techniques to develop new table grape, raisin, and cherry varieties for customers worldwide. BLOOM will advance the produce industry by bringing forward varieties with improved eating characteristics and long-term sustainable crop production for growers. For any inquiries about BLOOM FRESH, please contact Mark Sinclair, Intellectual Property Manager (legal@bloomfreshglobal.com).

Korea to Introduce an Artist's Resale Right Through the Enactment of the Art Promotion Act

By Hyung Ji KIM, Min-Kyoung JIN, Angela KIM and Clare Ryeojin PARK

On June 30, 2023, a bill to enact the Art Promotion Act (the "Bill") was passed by the plenary session of the National Assembly. The Ministry of Culture, Sports and Tourism (MCST) announced that the key objective of the Bill is to provide a separate legislation dedicated to supporting the fine arts ecosystem. Notably, among other things, the Bill introduces the Artist's Resale Right, the details of which are as follows.

1. Key details of the Artist's Resale Right

It is currently the case that after an artist sells an artwork, they have no legal entitlement to share in an increase in the artwork's economic value on resale, regardless of how famous the artist has become since the original sale. Only the owners of the artwork and their agents profit. The Artist's Resale Right introduced by the Bill gives artists the right to a part of the resale price whenever their artwork is resold by or to an art market professional.

More specifically, the artist will be entitled to a portion of the profits made by the seller when a person who is engaged in a "gallery business, artwork auction business, artwork consulting business or artwork rental/sales business" is involved in the resale of the artwork as a seller, purchaser, or agent (Article 24 of the Bill). This Article specifically relates to "artwork", and the Bill defines it as a "tangible/intangible creation produced by an artist through their artistic activities. The rate of compensation will be set by Presidential Decree after collecting opinions from the industry, including artists.

The Artist's Resale Right will not apply if (i) the resale price of the artwork is less than KRW 5 million; (ii) the artwork being resold was a "work made for hire" under Article 9 of the Copyright Act; or (iii) the resale price of the artwork is less than KRW 20 million and the seller resells the artwork within three years of acquiring the artwork directly from the artist.

The Artist's Resale Right will be recognized for 30 years following the artist's death. Further, the collection and distribution of the resale profits will be made through institutions dedicated to the promotion of the arts as designated by the Minister of the MCST, or non-profit organizations comprised of individuals entitled to the Artist's Resale Right. Such institutions or organizations will have the right to engage in judicial or extrajudicial acts concerning the Artist's Resale Right (Article 25 of the Bill).

2. Next steps for the Bill

As the Bill was recently approved by the plenary session of the National Assembly, it will be transferred to the Ministry of Government Legislation for promulgation. The Bill will become effective following a grace period set by the Addenda to the Bill. According to the current Bill, the provisions relating to the Artist's Resale Right will be implemented four years after the promulgation.

Because the Bill's broad definition of "artwork" may encompass digital forms of art as well as the traditional, it will be important to monitor its ultimate scope. Also, in light of the fact that the art promotion institutions designated by the Minister of the MCST or the non-profit organizations will be in charge of the collection and distribution of resale profits, it is expected that an industry-wide discussion will be held with respect to the Bill so we will continue to closely monitor the related discussions and keep you apprised. It would be advisable to conduct a thorough legal review of the issues when drafting/reviewing a contract involving artwork in order to prepare for and prevent any claims or disputes that could arise.

NEWS

Kim & Chang Ranked Again as a Top Law Firm in Korea – Managing IP STARS 2023

Kim & Chang has been recognized as a top law firm in Korea in every category covered – patent prosecution, patent disputes, trademark prosecution, trademark disputes, copyright & related rights and IP transactions – by the Managing IP STARS 2023. This marks the 21st consecutive year that Kim & Chang has received this honor. Further, Kim & Chang is once again the only law firm in Korea that ranked as a Tier 1 firm for the trademark prosecution category.

In addition, 16 Kim & Chang professionals have been recognized as "IP Stars," "Notable Practitioners," "Rising Stars" and "Top 250 Women in IP." Duck-Soon Chang, Sang-Wook Han, Jay J. Kim, Young Kim, Man-Gi Paik, and Jay (Young-June) Yang have been recognized as "Patent Stars," Sung-Nam Kim, Ann Nam-Yeon Kwon, and Jay (Young-June) Yang as "Trademark Stars," Eun Jeong Cho, Eui Chul Hwang, Yunki Lee, Amy Seung Hyun Oh, and Chun Y. Yang as "Notable Practitioners," and Seung-Chan Eom, Hong Seok Jang, Jongmin Lee as "Rising Stars, and Sung-Nam Kim as one of the "Top 250 Women in IP."

Managing IP, part of the Delinian Group, is a leading source of news and analysis on IP developments worldwide. Managing IP identifies leading law firms and individuals based on extensive research and in-depth interviews with IP practitioners and clients worldwide.

Kim & Chang Recognized in Eight Categories Including "Intellectual Property Firm of the Year" – asialaw Awards 2023

At the sixth annual *asialaw Awards*, Kim & Chang was recognized as the "Intellectual Property Firm of the Year" in the Regional Awards and secured the title of "South Korea Firm of the Year" in the Client Choice Awards. Our firm was awarded in a total of eight categories including the abovementioned.

The following list details the awards we won this year.

Regional Awards

- Intellectual Property Firm of the Year
- Competition and Antitrust Lawyer of the Year: Youngjin Jung
- Dispute Resolution Lawyer of the Year: Jin Yeong Chung

Editor's Choice Awards [1]

- Impact Deal and Case: Chubb's acquisition of Cigna's APAC businesses (Advised Cigna Corporation on its Sale of LINA Korea to Chubb Limited)
- Impact Deal and Case: MBK Partners' acquisition of Medit Corp (Advised on MBK Partners' KRW 2.5 Trillion Acquisition of Leading Global Dental Scanner Developer Medit Corporation from UCK Partners)

Client Choice Awards [2]

- South Korea Firm of the Year
- South Korea Lawyer of the Year: Shin Kwon Lim
- South Korea – Honourable Mention Lawyer: In Hwan Kim

About asialaw Awards: Hosted by the Delinian-affiliated legal media company asialaw, the *asialaw Awards* evaluate the performance of law firms in the Asia-Pacific region based on three key aspects: innovation, complexity and impact. The awards recognize the most noteworthy law firms, legal practitioners and deals/cases in each surveyed jurisdiction as well as practice area and industry. This year's awards ceremony was held in Singapore on September 26, 2023.

[1] Editor's Choice Awards: asialaw's editors select a number of cases and deals that had a national or regional impact over the year.
[2] Client Choice Awards: asialaw recognizes law firms and practitioners that have displayed excellent performance based on objective data collected through its Client Feedback Survey.

Only Korean Firm in the World's Top 100 Law Firms Ranking – The American Lawyer's The Global 200 (2023)

For the tenth consecutive year, Kim & Chang was ranked among the world's top 100 law firms in the The American Lawyer's "The Global 200" rankings.

Once again, our firm was the only Korean law firm to be featured among the top 100. Our firm was ranked 60th in the "Most Revenue" category, which ranks the largest firms in the world by gross revenue, 61st in the "Most Lawyers" category, which ranks law firms based on the number of full-time equivalent lawyers they had, and 95th in the "Most PEP" category, which provides rankings based on profit per equity partner figures.

About "The Global 200": The American Lawyer, the leading US legal magazine, annually issues the special rankings report "The Global 200" based on survey results and independent research on law firms across the globe.

Newsletter

A Quarterly Update of Korean IP Law & Policy

KIM & CHANG

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