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Patent & Trademark Issues in Korea

K & L Kims and Lees
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Korea-US Free Trade Agreement: IP Field

As Korea and the U.S. reached a free trade accord early this month, various changes in the IP field can be expected.

According to the reports titled 'Final results of

negotiation for Korea-US FTA' prepared by the Korean Ministry of Diplomacy and Commerce, the rights of Copyright owners have been strengthened when it comes to online copyrights.

According to the report, both parties agreed to admit copyright owners' rights on temporary copy covering temporary storage in RAM when

using a computer and instead allow exceptional provisions for 'fair use.' The duration of the Copyright protection is expected to be extended from the current 50 years after the copyright owner's death to 70 years after the copyright owner's death. However, such change will become effective two years after the protocol's effectuation in order to reduce any possible shocks caused by the change. Regarding the 'technical measure for protecting copyright' to prevent a third party's access without the copyright owner's authorization, both parties agreed to prohibit activities of avoiding such protection measures. Further, both parties agreed to fortify provisions on the exemption of online service providers from responsibility and prohibit the receipt and usage of illegally decrypted satellite or cable signals. Moreover, both parties agreed that both Governments should use copyrighted products.

Regarding trademarks, both parties agreed to define goods, which can be covered by the exclusive effect of trademark rights as goods which are identical or similar to the designated goods of registered trademark rights. Requirements of registering the exclusive licensee to be effective are expected to be abolished and both smell and sound are expected to be included into the protection scope of the trademark system. The certification mark system is expected to be introduced. Further, maximum and minimum compensation for damages caused by infringement of a trademark right is expected to be fixed by the Trademark Law.

Regarding patents, both parties agreed that, if a patent application is granted after both four years from the filing date and three years from the date of requesting a substantive examination due to

the Korean Intellectual Property Office (KIPO)'s delay in examining procedures, the duration of the patent can be extended as long as the delayed period. The grace period for filing a patent application published by the inventor will be extended from the current six months to 12 months. Further, a cancellation system in that a patent right can be cancelled if a third party who was given a non-exclusive license through adjudication also has not worked the invention for more than two years will be abolished.

A civil lawsuit proceeding will also be fortified by, for example, providing the Court with a right to ban exportation of intellectual property infringement products. The prosecutor's office will be given the right to indict a copyright infringer without any complaint.

A previous broadcasting compensation claim that a performer and/or producer of copyrighted music should be compensated when the copyrighted music is used in broadcasting is expected to be ineffective between the two countries.

Overview of Recent Amendments to the Korean Patent Act

The Korean Patent Law has been amended continuously from its establishment. We would like to briefly introduce here the latest amendment to the Korean Patent Act, which will be effective from 1 July 2007.

The latest amendment introduces new provisions regarding descriptive requirements for the specification including claims, an extension of the deadline to file the claims, and a conditional refund of the official fees for filing a patent

application and for requesting an examination thereof.

Extension of the deadline to file the claims

According to the amended Patent Act, the applicant will no longer need to file the claims at the time of filing the patent application and only need to submit the claims within 18 months from the earliest priority date. However, the applicant must submit the claims within three months from the receiving date of the notice informing the applicant of the fact that the substantive examination has been made by a third party if the applicant receives the notice within 15 months from the earliest priority date.

Descriptive Requirements for the Specification

The description of the invention must be clear and complete so as to enable a person skilled in the art to carry out the invention easily on the basis of it. The specification must contain: an indication of the technical problem to be solved by the invention; a description of the technical means for solving the problem; and a definite and clear description of the invention such that a person skilled in the art can easily work the invention. The claims must contain structures, methods, functions, substances or connective relations thereof considered necessary for specifying the invention so as to make the subject matter of the invention clear.

Conditional Refund of Official Fees

In addition, according to the Korean Patent Act (to be effective as of July 1, 2007), an applicant can claim a refund of the official fees for filing a patent application and for requesting a substantive examination where he/she withdraws or abandons his/her application (except for a divisional application, a conversional application, and an application for which an accelerated

examination has been requested) within one month from the actual filing date.

Changes in Substantive Examination

An applicant may request a substantive examination provided that the claims of the application have been submitted to the KIPO. The third party, however, can file a request for a substantive examination without regard to the filing of the claims. The applicant must submit the claims to KIPO if the third party has filed the request for a substantive examination.

If the examiner finds that an application is not patentable, the examiner will inform the applicant that the examiner intends to reject the application, clearly indicating the claims to be rejected and each reason why.

Changes in the Amendment

An applicant may amend the description or drawing(s) of a patent application before the examiner grants a patent or within 18 months from the earliest priority date (within three months from the receiving date of the notice informing the applicant of the fact that the substantive examination has been made by a third party, if the applicant receives the notice within 15 months from the earliest priority date). Unless the claims have not been submitted to the KIPO within 18 months from the earliest priority date (within three months from the receiving date of the notice informing the applicant of the fact that the substantive examination has been made by a third party, if the applicant receives the notice within 15 months from the earliest priority date), the patent application is deemed to be withdrawn on the next day of the expiration of those terms.

UCC Emerges as the Next Generation Business Model

User Created Contents (UCC) is emerging as the next generation business model.

KIPO announced that the number of patent applications regarding the UCC related business model has been increasing. Patent applications regarding the UCC related business model filed from 2000 to 2005 amounted to only 36 cases but 54 cases of patent applications regarding the UCC related business model were filed with KIPO last year.

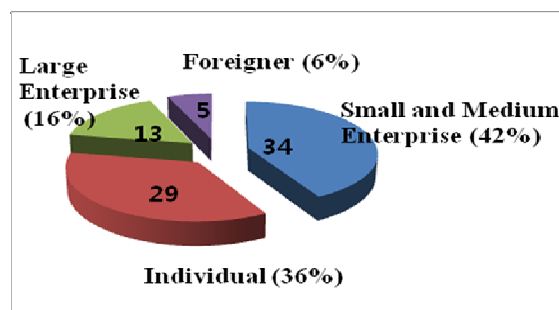
According to the classification of the applications depending on the technology field, patent applications regarding the transaction method of the UCC amounted to 40 cases, followed by patent applications regarding the production method of the UCC (29 cases) and patent applications regarding the advertising method using the UCC (14 cases).

In particular, many patent applications regarding the advertising method using the UCC were newly filed last year so that we can now expect that the Internet and the UCC-combined advertisement will be another next generation business model.

In the meantime, small and medium enterprises and individual applicants are turning out to be the applicants who filed the most patent applications regarding the UCC related business model. According to the classification of the applications depending on applicant type, 34 cases of patent applications were filed by small and medium enterprises, followed by individual applicants (29 cases), large enterprises (13 cases) and foreigners (5 cases).

We expect that patent applications regarding the new business model, which combines the UCC and electronic commerce regarding finance, education, shopping etc. will be increased.

<Classification Depending on Applicant Type>



Patent Studies Boom in the University Lecture Room

Universities are trying to cultivate more human resources in the patent field that companies can hire promptly, as industries are focusing more on strengthening competitiveness in the patent field.

According to KIPO's survey, 24 universities including Korea's top level universities like Seoul National University (SNU), Yonsei University and Korea University began offering patent-related lectures this semester, up 71.4% from the corresponding semester of last year. Compared to just 5 universities from the corresponding semester in 2005, this year's figures are almost up five times. Further, two graduate schools started patent-related lectures last year whereas this year four graduate schools opened patent-related lectures.

The reason why so many universities were in a hurry to offer patent-related lectures is because companies require human resources who can perform patent-related work without any extra training. According to KIPO's survey of last

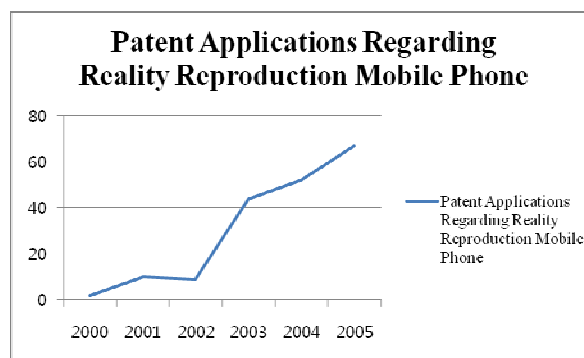
September, 93% of 116 companies and research institutes responded “Patent-related knowledge is significantly needed when performing one’s job” and 70% of 116 companies and research institutes responded “We have an intention to hire job applicants who have taken patent-related courses in university.”

In this regard, universities intend to not only increase the number of patent-related lectures but also change the contents of patent-related lectures from theory based lectures to the practical knowledge based lectures that companies prefer. SNU introduced project type lectures so that graduate students could search and analyze patent information on each other’s own research field.

The government also started to support these movements in the universities. KIPO published a textbook for graduate school students, ‘Analysis of Information and Patents’ and distributed it to SNU, Korea University, Yonsei University, Korea Advanced Institute of Science and Technology (KAIST), etc. KIPO has a plan to publish two more new textbooks this year.

Rapid Increase of Patent Applications regarding Reality Reproducing Mobile Phones

It appears that the number of patent applications regarding mobile phones, which can provide users with reality reproduction with which users watch 3D movies through mobile phones, have increased. According to KIPO, the total number of patent applications regarding mobile phones which reproduce reality like stereophonic sound or stereopsis during the recent six years (from 2000 to 2005) amount to 184 cases.



The number of such patent applications has increased from 2 cases (2000) to 67 cases (2005). In year 2003, in particular, the number of such patent applications rose about 489%.

According to the classification of the total applications depending on applicant type, companies filed more patent applications than individuals and domestic applicants filed more patent applications than foreign applicants.

Among those patent applications, there are various technologies regarding stereophonic sound such as: technology that fortifies diffusion effect of sound quality at the time of listening to stereo music by operating speakers with time difference or regulating locations of left and right speaker flexibly in order to overcome limitation of size of mobile phones; technology that provides stereo-phonc sound irrespective of the direction of the mobile phone by equipping the mobile phone with four speakers; and technology that embodies a 3D surround effect by amplifying good quality audio signals selectively and outputting bad quality audio signals later.

Among those patent applications, there are various technologies regarding stereopsis as follows: technology regarding a dual camera apparatus which can be compactly facilitated within small spaces of a mobile phone; technology that can express 3D images in a way

of a binocular parallax using two pieces of cameras; technology embedding a 3D engine well adapted to the mobile phone environment with rapid processing speed; and technology that expresses image information using holograms.

As many mobile phone users want to enjoy various additional services such as reality reproduction, it is expected that the development of such technologies as well as the patent applications based on those technologies will continue to increase.

Samsung Electronics Co., Ltd. and Microsoft Corp. Agree to Share Patents

Microsoft Corp. has actively sought patent agreements with a range of companies in an attempt to build bridges with an array of home electronics makers, telecommunications, computer hardware and Linux/Unix platform providers. Samsung Electronics Co., Ltd. has also been focusing on patent management since 1987 and strategic alliances with world leading companies since its establishment.

In this regard, Samsung Electronics Co., Ltd. and Microsoft Corp. signed an agreement to share patents in a move to facilitate the development of new technologies for both companies. Specific financial terms were not disclosed, but both companies can expect financial rewards depending on each company's patent value.

Through this agreement, Korea's largest electronics company will be able to use Microsoft Corp.'s current and future technology patents in computers, set-top boxes, DVD players, camcorders, TV sets, printers and home

electronics and it will also obtain coverage from Microsoft Corp. for its customers' use of certain Linux-based products.

Likewise, Microsoft Corp. will get access to Samsung's existing and future patents applied to digital media and computer-related goods.

Samsung Electronics Co., Ltd. was the 2nd ranking patent holder of which 2,451 patents were granted by the United States Patent and Trademark Office (USPTO) last year while Microsoft Corp. was 12th ranking patent holder of which 1,463 patents were granted by the USPTO.

<Ranked Listing of Organizations with Patent Grants Distributed By Year of Patent Grant>

Organization	Rank	Total
IBM CORPORATION	1	3621
SAMSUNG ELECTRONICS	2	2451
CANON KABUSHIKI KAISHA	3	2366
~	~	~
MICROSOFT CORPORATION	12	1463

IPT Notifies Parties of Trial Result through SMS and e-mail

It has become possible for parties of patent trials to receive examination results from the Intellectual Property Tribunal (IPT) through Short Messaging Service (SMS) and e-mail.

The IPT announced that the trial examination results delivery service through mobile phones was launched April 2007. The trial examination result delivery service through e-mail is expected to be launched soon.

Until now, the IPT posted the trial examination results on the website of KIPO after sending the trial examination results through the postal service. Accordingly, the parties could get the trial examination results, at the soonest, three days after the decision of the trial examination board. Further, the parties have felt such inconvenience as calling the IPT or logging on the website of KIPO in order to know the trial examination results quickly.

To solve these problems, the IPT decided to launch this service.

Anyone who wants to receive this service from the IPT simply needs to submit “a request form for the Applicant’s code” with a mobile phone number and an e-mail address to KIPO. However, in the case which patent attorneys are proceeding on behalf of parties is not the subject of this service considering the fact that the patent attorneys notify the party of the trial examination results promptly after checking for them on the website of KIPO.

IPT Denies Patentability of Isomer

Pfizer’s high blood pressure medicine ‘Norvasc’ and Sanofi Aventis’ medicine for thrombosis ‘Plavix’ have been in patent disputes with Korean pharmaceutical companies.

Ahn-gook Pharmaceutical Firm (Ahn-gook) had sold ‘Levotension’ comprising S-Amlodipine besylate as an active ingredient, which is S-isomer of Pfizer’s amlodipine besylate, taking advantage of the weak points of Pfizer’s evergreening strategy to claim broad protection scope first and to file serial patent applications subsequently by reducing the protection scope

thereof. Pfizer demanded a preliminary injunction to stop the patent infringement on the grounds that Ahn-gook’s isomer medicine ‘Levotension’ infringed Pfizer’s patent. In response to Pfizer’s action, Ahn-gook filed an invalidation trial and a trial for confirming the scope of the patent right with the IPT.

Sanofi Aventis, which has the original patent for clopidogrel bisulfate, came to have a serial patent as a way of a typical evergreening strategy by reducing the scope of the patent into clopidogrel isomer. However, a plurality of Korean pharmaceutical companies filed invalidation trials claiming that the serial patent should be invalidated because an original patent for clopidogrel bisulfate already exists.

In both cases, the IPT ruled that the patentability of isomer cannot be admitted. In other words, the IPT determined that Ahn-gook’s S-Amlodipine besylate was within the scope of Pfizer’s patent right and the serial patent of Sanofi Aventis was to be invalidated.

Currently, Ahn-gook and Sanofi Aventis respectively filed a suit with the Patent Court to cancel the IPT’s decision. Thus, patentability of isomer is expected to be determined by the decision of the Patent Court.

Overview of Amendments to the Korean Trademark Act

Widened Scope of the Regulation

Under the revised Korean Trademark Act, the definition of a trademark will be broadened so that more marks can be protected as trademarks.

While the current Trademark Act defines only

typical marks such as a sign, a character, a figure, and a three-dimensional shape as a trademark, the revised one will extend the scope of the trademarks to be protected to all marks that one can recognize visually, including color per se, holograms, motion pictures and any combination thereof.

As this move is deemed to be a stepping stone toward a more enhanced protection of companies' trademarks in various ways, it is expected that companies will be able to establish a solid Corporate Identity (CI), increase their brand value, and eventually strengthen their competitiveness.

Effective Prevention of Counterfeit Trademarks Registration

In Korea, the "first to file rule" has been so strictly applied that there have been some cases, in which an applicant intentionally registered counterfeit trademarks prior to the registration by its original user. Under the current Korean Trademark Act, in fact, it is almost impossible for the prior, legitimate user of a trademark to invalidate such registration made in bad faith unless the counterfeit trademark is proved to be "well-known" among Korean as well as foreign consumers.

Under the revised Trademark Act, however, standard of reputation required to bar registration of counterfeit trademarks are lowered from "well-known" to simply "recognized", which is expected to provide a rightful owner with more prosperous ground to be able to invalidate the registration of counterfeit trademarks. This revised provision will systematically prevent people who abuse the "first to file rule" in bad faith and will contribute to keeping the balance between the protection of both prior users and

registrants.

* **First to file rule:** The "first to file rule" is one of the principal rules governing the international trademark system. According to the first to file rule, if two or more applications for a trademark registration related to identical or similar trademarks that are to be used on identical or similar goods are filed on different dates, only the applicant filing the application with the earlier filing date may obtain trademark registration for the trademark.

Extended term for Opposition

Under the revised Trademark Act, the Opposition period will be extended from 30 days to two months. The aim of this revision is to enhance the examination practice and prevent possible trademark disputes by facilitating the Opposition procedure.

The revised Act will take effect on July 1, 2007.

Protection of Holograms to be included within the Scope of the Trademark System

Holograms are being used in various fields to prevent products from being counterfeited. For example, the shape of the Korean peninsula, a special number, and Korean traditional patterns can be observed individually from different angles on a 10,000 won paper note and a 5,000 won paper note. Further, companies' unique symbols such as Corea Jinseng of Nonghyup (Korean agricultural cooperative) and a disc of SM Entertainment (Korean Music related entertaining company) are marked on the credit cards which those companies issue.

Korean companies are expected to use more

holograms to prevent piracy of their products and to increase consumer's reliability towards their products.

In this regard, KIPO announced that it amended the Trademark Law to include holograms into the protection scope of Trademark right in accordance with the trends that unique holograms are being used in various fields to protect products from piracy.

In connection with this, KIPO announced in the public draft amendment of the Trademark Act to obtain national's opinions. The amended Trademark Law will be effective from this July.

KIPO has the opinion that, thanks to this amendment of the Trademark Law, the relationship between the Trademark system and the real market will be further strengthened and companies' choices when it comes to Trademarks will have more varieties so that the amended Trademark Law will positively affect companies' efforts to create added value through brand management.

Supreme Court Rules Alfredo Versace is similar to Gianni Versace

The Italian brand 'Gianni Versace' has finally won the legal suit that lasted over nine years in Korea against 'Alfredo Versace' owned by a designer named "Alfredo Versace" of the U.S.A.


On April 15, 2007, the Supreme Court ruled in Gianni Versace's favor that a Korean company titled W ("defendant") had to pay the owner of 'Gianni Versace' indemnity of 40 million Korean won (43,000 US dollars) for damages caused by the trademark infringement.

The Supreme Court stated that 'Alfredo Versace' was determined to be similar to 'Gianni Versace' because 'Alfredo Versace' also might be called simply as 'Versace' as 'Gianni Versace' was called.

In particular, the Supreme Court added in the ruling that the defendant seemed to have acquired the trademark registrations with the purpose of obtaining unfair profit by riding on the reputation of the famous trademark and customer attracting force thereof even though the defendant registered the trademark with his own name.

'Gianni Versace' has been registered for clothes, cosmetics, accessories, shoes, watches etc. with KIPO since 1982. However, the disputes between the two parties started as the Korean company started to sell towels, earrings, bracelets etc. with the trademark 'Alfredo Versace' from 1997

Diamond-shaped logo of Umbro Rejected in Korea

The leading British sportswear company, Umbro, boasting Michael Owen and David Beckham as its regular customers, cannot maintain their rights for their trademark,  any longer in the Korean market.

Umbro filed a petition with the Patent Court after the KIPO and IPT rejected its trademark registration on the basis of its simplicity and commonness in its shape. The Patent Court ruled in favor of Umbro. The Supreme Court, however, overturned the Patent Court's ruling regarding the registration of Umbro's trademark and remanded the case to the Patent Court.

The Supreme Court stated, “In comparison with a lozenge or diamond shape, the disputed mark of Umbro has more of a transverse angle. However, the mark still maintains the basic shape of a lozenge or diamond and so it can hardly serve to distinguish its goods from other goods made or sold by others, as customers or traders are highly likely to consider it as a simple and common mark.”

Starbucks Loses All Trademark Disputes in Korea

a)



b)



c)

STARPREYA

d)

STARBUCKS

Multinational coffee chain Starbucks Corp. has lost all trademark disputes with a little-known Korean company Elpreya.

Starbucks first filed a Trial for Invalidation of Trademark registration claiming that the Korean company’s combination trademark (referred to as ‘a’) and word trademark (referred to as ‘c’) are similar to the global coffee retailer’s registered trademarks (referred to as ‘b’ and ‘d’). As all the requests for the trial were rejected by the Intellectual Property Tribunal, the company filed lawsuits with the Patent Court demanding revocation of the trial decisions.

The Supreme Court ruled in favor of the Korean company Elpreya in the case (2005HU926) regarding the combination trademark ‘a’ stating that “Those two combination trademarks are different from each other in appearance and sound. Considering the period of time when Elpreya filed its trademark application, the Starbucks’ trademark could not be regarded as a well-known one in the local market. Moreover Starbucks had not operated its business with the trademark ‘b’ for long enough or used it enough in advertisements at that time.”

In connection with this, the Patent Court had also ruled in favor of the Korean company Elpreya stating that the word “Star” is a general term which is not considered a significant part of the trademarks; those two words are not called as just “star” or “preya” and “star” or “bucks” but pronounced in full, like “Starbucks” and “Starpreya” so that they are different from each other in sound. Finally, the two logos are not alike since Elpreya uses the image of a goddess in a circle whereas Starbucks uses a mermaid figure at the center of its symbol.

Regarding the word trademark ‘c,’ the Patent Court also ruled in favor of Elpreya and Starbucks appealed this decision to the Supreme Court (2006HU3069). However, the Supreme Court rejected this appeal because, after considering the petition filed by Starbucks, the Supreme Court found that the case is not one of the cases described in the relevant law. Thus, the Patent Court’s ruling was finally settled.

Accordingly, Starbucks is now forced to compete with the local coffee maker without any legal support of its IP rights.

Recent Revision of Notice regarding Customs Procedures for the Protection of IP Rights

The Korea Customs Service (KCS) announced that a revision of the 'Notice regarding Customs Procedures for Protection of Intellectual Property Rights' will be effective starting from this year.

When counterfeit goods are discovered during inspections by the KCS, they are subject to forfeiture or confiscation on the spot. However, so far, the KCS has allowed the entry of counterfeit goods in small quantities for personal use. Under the revised Notice, such exception for personal usage will no longer be allowed. The revised Notice narrows the scope of exception for counterfeit goods to only those used by the maker or used for travel (Effective from July 1, 2007).

Further, the valid term of the recordation of a registered trademark with Korean Customs will be shortened from ten years to three years, and a 'Clearance Prior to Notification of Importation' will be newly applied to prevent trademark owners from abusing the notification system of importation and to minimize the potential damages of importers and exporters with bona fide intent.

The provision on parallel imports was further clarified so that a domestic exclusive licensee who imports genuine goods produced by a foreign trademark owner will also be considered as a domestic importation agency and, in such case, the third parties' importation of the genuine goods will be allowed according to the provision on parallel imports.

This revision came into force on April 1, 2007.



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