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## RECENT CHANGES TO THE KOREAN PATENT ACT

The Enforcement Regulation of the Korean Patent Act has recently been amended. According to the amended regulation, Korean translations of priority documents will no longer be required to be submitted, unless an examiner or a trial examiner of the Intellectual Property Tribunal ("IPT") requests such submission. Thus, the costs for prosecuting patent applications in Korea are expected to decrease. The amended regulations will take effect on January 1, 2006 and thus will benefit those patent applications for which the submission of the priority documents is due after January 1, 2006.

On a related note, the relevant Korean governmental body is currently in the process of preparing a bill to amend the Korean Patent/Utility Model Act. The proposed bill is scheduled to be finalized this summer (around July 2005) and submitted to the National Assembly this fall (around October 2005) for its review. The revised Act is expected to go into effect on January 1, 2006, provided that the legislative review process is carried out as scheduled.

The main features of the proposed bill are as follows:

**Novelty Bar:** Under the new Act, the invention is held to lack novelty if it is publicly known or worked in Korea or *foreign countries*. Under the current law, an invention does not lose novelty unless it is publicly known or worked in Korea. Such extension of novelty bar reflects SPLT.

**Consolidation of Opposition and Invalidation Actions:** Under the new Act, the opposition system is repealed so that an issued patent can be nullified only through an invalidation action. Under the current Act, anyone can challenge an issued patent through an opposition

procedure within 3 months of patent issuance. However, after 3 months, only the interested parties can challenge such patent by filing an invalidation action.

Under the new Act, the provision relating to the invalidation action has been amended such that *within 3 months* from the issuance of the patent, *anyone* (not just an interested party) can challenge the validity of the issued patent. However, after 3 months from the patent issuance, only an interested party can file an invalidation action.

**Deadline for Entering the National Phase:** Under the current Act, the Korean national phase must be entered within 30 months from the priority date of the PCT application. Under the new Act, the deadline for entering the Korean national phase is extended to *31 months* from the priority date. Such practice conforms to those of European countries.

**Protection of Plant Patent:** Article 31 of the current Act prohibited patent protection for sexually reproducing plant. With such Article now abolished in the new bill, a sexually reproducing, genetically altered plant falls within the protectable subject matter, regardless of its reproduction method so long as the protection does not violate public order or discipline. However, plant seed will be protected under a separate Act, i.e., Seed Industry Act.

**Others:** **i)** A finally rejected or abandoned application, if not published, cannot be used as prior art against other applications; **ii)** Before the publication of an application, anyone can submit information, which he/she believes is helpful in examining the application, in a documentary form to the attention of the responsible examiner; **iii)** Instead of abolishing dual application system (allowing filing of co-pending patent and utility model applications for a same subject matter), the system of allowing alteration of applications from

patent to utility model, and vice versa, is revived; **iv)** If any deadline, which is provided by the law or designated by the examiner, falls on a Saturday, then it is deemed to expire on the next business day (Monday). Revisions (i) and (ii) above are added for cases where the KIPO examination is finished before the application is laid-open, which occurs 18 months after the filing date.

## RECENTLY PROPOSED AMENDMENTS TO COMPULSORY LICENSING IN KOREA

A new bill was presented to the Korean National Assembly on November 26, 2004. This new bill seeks to revise certain provisions of the Korean Patent Act governing compulsory licensing. The proponents of the bill intend to pass this bill by the spring of this year.

Articles 106 and 107 of the Korean Patent Act govern compulsory licensing. Under the authority empowered by such provision, the Korean government may grant compulsory licenses in certain times and circumstances such as war and national emergencies. More specifically, in such troubling times, the Korean government may expropriate patent rights, work patented inventions, and/or require a third party to work the patented inventions.

Prior to the above-proposed bill, any person may be granted a compulsory license if 1) a patented invention needs to be practiced for public interest reasons, and 2) such practice of the patented invention is limited to a noncommercial manner. However, under the new proposed bill, circumstances in which compulsory licensing may be granted will be expanded. More particularly, compulsory licenses may be granted for public interest reasons even if the patented invention is to be practiced in a commercial manner. In

addition to such change, compulsory licenses may also be granted for national or extreme emergencies (as mentioned above), or for exporting medicines as set forth in the Doha Declaration.

Further prior to the above-proposed bill, any person in need to non-commercially practice the patented invention for public interest reasons was required to hold a consultation with the patentee or exclusive licensee in order to obtain a compulsory license. Under the new proposed bill, however, such consultation is no longer required both for non-commercial practice for public interest and practice in times of national or extreme emergencies. Thus, compulsory licenses can be granted without the need for prior consultations in such situations.

Moreover, the newly proposed bill requires only 30 days for conducting a prior consultation when seeking a compulsory license for exporting medicines out of Korea. Thus, prior consultation is not a substantial requirement for obtaining a compulsory license in this case.

The newly proposed bill further seeks to establish a more efficient timing for determining when a petition for a compulsory license must be decided. In particular, under the new bill, a petition for a compulsory license must be decided within six (6) months from the date of the petition. Therefore, it is clear that the new bill seeks to regulate the compulsory licensing protocol in a more efficient and timely manner.

To date, the compulsory licenses have rarely been used or granted. Regardless, the amendments proposed by the new bill are certainly an attempt to keep up with today's changing economy.

## PATENT EXAMINATION PERIOD MAY BE REDUCED FROM 22 MONTHS TO 10 MONTHS

The patent terms of advanced technologies in Korea have decreased somewhat due to prolonged patent examination procedures. In order to resolve such practical deficiency in the Korean patent system, a strategy has been proposed and is currently underway to reduce the 22-month patent examination period down to 10 months.

The Ministry of Science and Technology (MOST) and the Korean Intellectual Property Office (KIPO) reported that the strategy to reduce the patent examination period is in progress. More specifically, Mr. Myung Oh, who is the Deputy Prime Minister and also the Minister of Science and Technology, presided over the 1st Science and Technology Ministerial Meeting on November 25, 2004. The attendants of that meeting held an in-depth discussion and formulated a strategy for shortening the patent examination period.

The above strategy resulting from the 1st Science and Technology Ministerial Meeting is expected to receive full support from the Korean government. In fact, the details of such strategy are in line with one of President Moo-Hyun Roh's agendas during his campaign for presidency. President Roh is known to highly value technological innovations and thus will likely support the current strategy to improve the Korean patent system.

To implement the above strategy, KIPO has additionally hired 115 patent examiners and 63 assistant examiners in 2004. Moreover, KIPO has further requested the Ministry of Government Administration for additional hiring of 170 patent examiners and 50 assistant examiners in 2005. By

increasing its outsourcing, hiring new examiners and promoting new organizations for examining new and fusion technologies, KIPO plans to shorten the examination period from 22 months to 10 months. In addition, KIPO also plans to reduce the length of trial processes from the 14 months to 6 months by 2006.

The reasoning behind the current proposed strategy is simple and clear. If new inventions or technologies are examined at a faster rate, then they can be applied and utilized in their respective industries more rapidly, thus contributing to the development of such industries. Unless the technologies applying for patents are efficiently prosecuted, they may become obsolete or no longer useful should newer technologies appear in the industries. As such, countries all over the world are also actively trying to reduce their respective patent examination periods.

Germany has the shortest patent examination period, which is approximately 10 months. The patent examination periods of the United States and Japan are about 18 and 25 months, respectively.

The United States currently employs 3,600 patent examiners and plans to additionally hire 2,100 examiners by 2007 in order to reduce their examination period down to 5.8 months. Japan also plans to increase their staff by 500 by 2013 to reduce their patent examination period down to 11 months. Further, the European Patent Office (EPO) has additionally hired 468 patent examiners. Thus, it appears that many countries throughout the world are actively trying to reduce their patent examination periods.

## KOREA RANKS 4TH IN HOLDING PATENT RIGHTS IN CHINA

Korea ranked 4th among nations whose companies hold patent rights in China. According to the Korea Trade-Investment Promotion Agency (KOTRA), Korean companies, with patent rights of 24,003 cases up until March 2003, ranked 4th, following Japan with 125,976, the United States with 86,896, and Germany with 31,482. In addition, Korean companies filed a total of 8,277 patent applications, fourth most following Japan, the United States and Germany.

The top ten companies that filed the largest number of patent applications include 7 Japanese manufacturers, such as Matsushita, Sony and Canon, IBM of the United States, and Samsung and LG of Korea; Samsung ranked second with 1,568 applications and LG was fifth, with 805 applications.

A KOTRA spokesman said that China has strengthened its legal framework and amended its IPR and related laws and regulations since joining the World Trade Organization (WTO), but intellectual property has not been properly protected until now. People who have at least registered patent rights may expect legal protection against infringement of their intellectual property rights.

## TRADEMARK AND DESIGN EXAMINATION GUIDELINES AND DIRECTIVES

The Korean Intellectual Property Office (KIPO) has recently amended the "Trademark and Design Examination Guidelines and Directives" ("Guidelines") and the "Office Regulations for the Management of Trademarks and Designs," which became effective as of January 1, 2005.

The main points of amendment are as

follows.

## **I. Recent Changes to the Trademark Examination Guidelines in Korea**

### *Recognition of partial priority*

Previous to the recent amendment, the KIPO practice has been to reject an entire application rather than recognizing a separate priority for each designated good. Thus, if a designated good of a trademark application (claiming priority) fell outside the scope of the designated goods of the application upon which priority was based, then it would result in the rejection of the entire application. However, this has now been changed so that KIPO will reject priority claims on a good-by-good basis. Further, provisions allowing applications to claim multiple priorities have also been added to the Guidelines.

### *Improved examination of trademarks comprising foreign wordings*

For trademarks composed wholly or partially of English alphabets, Chinese characters or Japanese (Hiragana and Katakana) characters, it is now necessary to consider the pronunciations and meanings of the foreign wordings in their examination for distinctiveness or similarity. However, wordings from foreign countries other than the above will be treated as a sign or device for trademark examination purposes.

### *Expedited opposition process*

Oppositions generally required about 10 months before a decision. However, the amended Examination Guidelines require that an opposition decision be issued within 2 months after the opposition response deadline. Thus, it is expected that the future trademark opposition decisions will be issued within 3 to 4 months of filing.

### *Other changes*

-When applications for identical/similar trademarks are filed on the same day, the filing date will be granted to the application through a lottery conducted by the KIPO examiner (even if the applicants fail to attend the lottery).

-The 3 month exclusive application period, which follows a successful non-use cancellation action, now also applies to the following applications for identical/similar marks (i.e., to the canceled mark): (i) those transferred to the petitioner from a third party who filed its application during the same 3 month period; and (ii) those transferred to a third party from the petitioner.

-Other provisions, which govern the examination of "Madrid Protocol" applications, divisional applications, conversion applications, goods-addition applications, renewal applications, business emblem/collective mark applications, etc., have also been added to the Guidelines. They are planned to go into effect as of July 1, 2005.

## **II. Recent Changes to the Design Examination Guidelines in Korea**

### *Exception to novelty loss*

Under the previous Guidelines, if a senior design application, which was not published due to a final rejection or withdrawal, was cited in a rejection against a junior design application, then the senior design is disclosed to the junior applicant. Thus, such senior design becomes published regardless of the senior applicant's intent. Therefore, if the senior applicant subsequently applied for a design similar to the above senior design, the later-filed design was deemed to lack novelty due to the above "publication" of the senior design. However, the amended Guidelines now stipulate that novelty is

not lost for the senior design in the above situation.

#### *Examination within the convention priority period*

The past KIPO practice was to commence the examination of a design application 6 months after the filing date in consideration of third party priority claims. However, the amended Guidelines now allow examination without the above 6-month waiting period. Thus, it is expected that this will reduce the time required for the examination of design applications.

#### *Quicker opposition decisions*

For designs registered without examination, oppositions were allowed within 3 months after publication and generally required about 10 months before a decision was issued. However, the amended Guidelines now require that if an opposition is filed, the opposition decision must generally be issued within 4 months of the opposition response deadline. Thus, future design opposition decisions are expected to issue within about 6 months after filing.

## RECENT DEVELOPMENTS IN TRADEMARK AND DESIGN LEGISLATION IN KOREA

Various Korean Trademark and Design legislations have been revised to meet the continuous needs of evolving technological developments and to harmonize with international agreements. The proposed amendment was passed by the National Assembly on December 8, 2004 and was officially announced on December 31, 2004. The amended Trademark Act and Design Protection Act are expected to become effective as of July 1, 2005.

The details of the revisions are as follows:

### **I. Amended Trademark Act to be Effective as of July 1, 2005**

The Korean Intellectual Property Office ("KIPO") proposed to amend the Trademark Act in order to protect and uphold certain marks having geographical indication.

Under the current Trademark Act, a mark having geographical indication cannot be entitled to trademark protection. The amended Trademark Act, however, provides that if a mark having geographical indication is applied as "a collective mark indicating geography," then it will be eligible for registration. Further, the amended Trademark Act newly provides provisions directed to the definition, registration requirements and scope of a collective mark indicating geography.

Details of the amendment are as follows:

#### *Registration of a collective mark indicating geography*

In the event a corporation composed only of a producer, manufacturer or processor of goods, who is entitled to use geographic indication, files an application for geographic indication as a collective mark indicating geography, it may be registered.

#### *New provision on the requirements for registering a mark indicating geography*

The amended act stipulates that if a collective mark indicating geography has already been registered, any application for a mark identical or similar to such mark cannot be accepted for identical goods. Additionally, in order to protect well-known geographical indications that have not been registered, a mark identical or similar to such geographical indications cannot be registered for identical

goods.

*New provision on the homonyms of geographical indications*

The amended Trademark Act provides that if a mark is a homonym of a collective mark indicating geography, then both earlier and latter registrants must affix the extra indication in addition to the registered collective mark indicating geography in order to distinguish such marks and prevent consumer confusion. In the event such registrants fail to comply with the above provision, the registered mark may be subject to cancellation.

*New provision on submitting amended articles of incorporation*

The amended Trademark Act provides that amended articles of incorporation can later replace articles of incorporation that were submitted when a collective mark was first applied.

*New provision on the opinion of the Minister of Agriculture & Forestry, etc.*

The amended Trademark Act provides that when a collective mark specifies a geographical indication in accordance with the Agricultural or Aquatic Products Management Act, the Commissioner of KIPO may consider the opinion of the Minister of Agriculture & Forestry or the Minister of Marine Affairs & Fisheries on whether such mark is indeed applicable to a geographical indication.

*New provision on rejecting the registration of a collective mark indicating geography*

The registration of a collective mark indicating geography will be refused if: such mark does not conform to the definition of a mark; a corporation does not comprise personnel who are

able to use the relevant geographical indication; or a corporation does not allow someone who is entitled to use the geographical indication to join the corporation.

*Effectiveness of a collective mark indicating geography*

The right of a collective mark indicating geography only extends to identical goods.

*Restricting the right of a collective mark indicating geography*

The amended Trademark Act provides that the rights of a registered collective mark indicating geography will be restricted when: a person who produces or processes the goods identical to the designated goods under the collective mark indicating geography uses the geographical indication; or a senior mark includes the geographical indication identical or similar to the registered collective mark indicating geography. This amendment reflects Article 24 of the TRIPs Agreement.

*Invalidating the registered collective mark indicating geography for which protection is suspended in the country of origin.*

The amended Trademark Act provides that if the protection for a geographical indication is subsequently suspended in the country of origin, then the registered collective mark may be invalidated in Korea. This amendment reflects Article 24 (9) of the TRIPs Agreement.

*Cancellation of the registered collective mark*

The amended Trademark Act provides that the registered collective mark may be cancelled if: a corporation fails to oversee the collective mark indicating geography; joining the corporation becomes restricted subsequent to registering the collective mark indicating geography; or consumer

confusion is created as to the source of origin through the use of geographical indication homonyms.

## **II. Amended Design Protection Act to be Effective as of July 1, 2005**

KIPO proposed to amend the Design Act in order to increase the protection of designs and to improve the present operating system.

The main points of the amendment include protecting typefaces for printing and strengthening the level required for creativity. Details of the amendment are as follows:

### *Protection of typeface*

In the amended act, typeface is included under the definition of a good. As such, the new definition provided in the amended act treats typeface designs like any other designs, thereby entitling them to the same protection. However, even if the rights to typeface designs are registered, such rights are not extended to the typeface when commonly used in the context of printing and the like or to the results based on the use thereof.

### *Expanded standard for design registration*

The standard for determining creativity, which is required for design registration, will be expanded. More specifically, such standard will now include designs recognized internationally as well as domestically.

### *Conversion of an application*

The provision regarding the conversion of an application has now been removed. However, its elements still remain in the provision directed to amending an application.

### *Laying-open unexamined design applications*

According to the current act, a request for laying-open an application may be filed only for an examined application. Thus, if a third party uses another's design that has been laid-open without approval, then the design owner may warn such party not to use its design. Further, after the design right becomes established, the right to demand compensation may be exercised. The amended act now provides that the above applies even to unexamined applications.

### *Rejection of unexamined design applications based on information provided*

With respect to an unexamined design application, a design may be rejected if information and evidence are submitted to show that such design lacks inventiveness, novelty or creativity.

### *Restriction on the right to exercise a secret design*

According to provisions of the Design Act, if a secret design is infringed, then its right holder or exclusive licensee may request such infringement to stop only after a warning and presenting a certificate, which was obtained from the Director of the Korean Intellectual Property Office, to the infringer.

## **RECENT LEGISLATIVE DEVELOPMENTS ON THE PREVENTION OF DOMAIN NAME CYBERSQUATTING IN KOREA**

### **I. New Internet Address Resource Act**

The New Internet Address Resource Act (the "Act"), which took effect on July 30, 2004, is designed to promote the fair and effective use and allocation of Internet addresses (e.g., IP addresses and other Internet protocols). Only

those domain names whose country-code top-level domain is "kr" is covered by the Act. The Act also contains provisions designed to prevent cybersquatting.

Under the Act, the registration of a domain name for the purpose of preventing a legitimate right owner from registering the same domain name or for the purposes of unjust enrichment is prohibited. Further, the Act allows the injured right owner to seek the de-registration of a domain name through litigation.

## **II. New Anti-Cybersquatting Provision in the Unfair Competition Prevention and Trade Secret Protection Law ("UCPA")**

This new UCPA provision, which took effect on July 21, 2004, prohibits the following acts as constituting unfair competition.

"The act of registering, maintaining, transferring or using a domain name which is similar to another person's name, trade name, trademark or any other indicator which is widely known in Korea for the purpose of (1) selling or renting the domain name to the rightful owner of the trademark or other indicator; (2) interfering with the rightful owner's registration and use of a domain name; or (3) obtaining commercial gain."

Prior to the above amendment, the requisite elements of conventional trademark infringement or unfair competition were required for a plaintiff to prevail against a cybersquatter who had registered a domain name incorporating the plaintiff's trademark or trade name. Further, separate domain recovery procedures such as that under the Uniform Domain Name Dispute Resolution Policy ("UDRP") were required. However, with the above amendment, it is now possible for a plaintiff to seek injunctive and/or monetary relief against a cybersquatter, including

the de-registration of the domain name. However, criminal remedies are not available.

The major difference between the amended UCPA and the Act is that the former requires the protected mark to be famous, whereas the latter does not. Further, while a plaintiff in a UCPA action may seek injunctive and/or monetary relief (including the de-registration of a domain name), the Act only provides the de-registration of a domain name as the exclusive form of relief.

## **III. Reinstatement of administrative proceedings for the recovery of <kr> domain names**

The Internet Address Dispute Resolution Committee ("IDRC"), the local agency governing domain name matters in Korea, announced that it has reinstated mandatory administrative proceedings for the recovery of "kr" level domain names as of February 17, 2005 in accordance with amendments to the Rules of Domain Name Dispute Resolution and related regulations ("Rules"). The Rules and IDRC-related procedures are substantially similar to those available under the previous Domain Name Dispute Resolution Policy and Committee. Thus, a trademark or trade name owner wishing to take action against a third party registrant's domain name incorporating its trademark or trade name can now file an administrative proceeding with the IDRC. Upon a favorable IDRC decision, the trademark or trade name owner can request the registrar to implement the decision (e.g., transfer of the domain name) unless the domain name registrant files a court appeal within 14 days of its receipt of the IDRC decision.

IDRC proceedings are generally considered to be more cost effective and faster than formal legal actions, since the parties are only permitted to submit one to two written briefs and no hearings are usually held. Thus, most IDRC cases can be concluded within three months from filing.

Further, in addition to the legal grounds of trademark infringement and unfair competition, the Rules provide the additional legal grounds that the claimant is entitled to relief if it can prove that the domain name was registered in bad faith for the purpose of intervening with the claimant's registration of its trademark as a domain name. Thus, IDRC actions may be particularly useful where the claimant could not easily establish the domestic well-known status of its disputed mark or source identifier.

## SPECIES NAMES REGISTERED UNDER THE SEED INDUSTRY ACT HELD TO BE GENERIC NAMES *PER SE* UNDER THE TRADEMARK ACT

(Supreme Court Decision No. 2003 Hu 1314, September 24, 2004)

The Korean Supreme Court has recently ruled that species names registered under the Seed Industry Act ("SIA") are generic names *per se* under the Trademark Act ("TMA"), and thus cannot be registered as trademarks in Korea.

### Case background

A party filed a trademark application with the Korean Intellectual Property Office ("KIPO") for the "HWARANG in Korean" mark, which was previously registered as the name for an apple species under the SIA. KIPO issued a rejection against the above trademark application on the grounds that the mark was a generic name, which was then appealed by the applicant. The rejection was sustained on appeal to the Intellectual Property Tribunal of KIPO, but reversed by the Patent Court upon further appeal. In its decision, the Patent Court held that although (i) a new apple species was registered with "HWARANG in Korean" as the species name under

the SIA; (ii) about 65,000 "Hwarang" apple saplings were produced from 1998 to 2003; and (iii) "Hwarang" apples were described in several Internet sites, such evidence did not sufficiently support that the "HWARANG in Korean" mark had become generic in Korea.

### Supreme Court Decision

The Supreme Court overturned the above Patent Court decision by first noting that under the SIA, protected crop species cannot be referred to in commercial transactions using any name other than the registered name. Further, the Court also noted that if a registered species name was not recognized as a generic name, this would enable any third party to obtain a trademark registration for the same name. It was then noted that this would conflict with Article 109(1)9 of the SIA, which stipulates that "if a species name is applied for as a trademark under the TMA before the SIA application or if it is identical or similar to a registered trademark, such a name cannot be registered under the SIA as being likely to cause confusion" (intended to prevent confusion between trademarks registered under the TMA and species names registered under the SIA). Thus, it was held that a species name registered under the SIA must be considered as a generic name *per se*, and that such a name therefore could not be registered as a trademark in Korea.

## PROTECTION OF NECKTIE DESIGNS AS WORKS OF APPLIED ART

The Supreme Court reversed and remanded the lower court's ruling, which denied the plaintiff's claim of copyright infringement based on the reasoning that necktie designs cannot be considered as protectable works under the Korean Copyright Act. However, the Supreme Court held otherwise and stated that if a design is independent and distinct from the actual necktie, then such design may be protected under the Copyright Act (see Supreme Court Decision No. 2003 Do 7572, July 22, 2004).

### Facts of the Case

To celebrate the 2002 World Cup in Korea, the plaintiff created and marketed certain neckties called "Hiddink Neckties,"\* which are characterized by unique designs. However, after the plaintiff's neckties were marketed in Korea, the defendant also manufactured and sold neckties, which contain designs virtually identical to those of the plaintiff's ties.

### Court's Holding in the Case

In issuing its decision, the Supreme Court first clarified that "works of applied art" under the Korean Copyright Act mean "artistic works that may be copied on the goods in the same shapes, and whose originality may be recognized apart from the relevant applied goods, which include designs, etc." The Supreme Court reasoned that such designs may be considered as works of applied art, which may be protectable under the Copyright Act.

Clarifying the above, the Supreme Court held that the designs for the "Hiddink Neckties" constitute "artistic works that may be copied on the goods in the same shapes." As such, if their originality can be recognized apart from the actual

neckties, such designs should be considered as protectable forms of work under the Copyright Act. However, if the originalities of designs cannot be recognized apart from their respective ties, then such designs cannot be entitled to protection under the Copyright Act.

In the opinion of the Supreme Court, the lower court prematurely decided that the above necktie design does not constitute a protectable work without examining whether the originality of the design can be recognized apart from the applied goods, i.e., neckties. Thus, the Supreme Court ordered the case to be remanded back to the lower court for further proceedings with the above holdings to be followed.

As to the copyrightability of works of applied art, which were created for use in mass production or to implement practical functions, the "Taihan Textile decision" (Supreme Court Case No. 94 Do 3266, February 23, 1996) has been considered to be the benchmark decision. In that decision, the Supreme Court denied the copyrightability of a textile design based on the reasoning that "applied artistic works are sufficiently protected under the Korean Design Act and copyright protection should be provided to works of applied art only in exceptional circumstances (e.g., where the applied artistic work possesses an independent artistic feature or value)."

As such, in view of the recent Supreme Court's holding, if the lower court recognizes the copyrightability of necktie designs, then such decision will undoubtedly broaden the protective scope of applied artistic works and thus have a great impact upon the Korean design industry.



\*The Hiddink Neckties became famous because Mr. Guus Hiddink, the former head coach of the Korean national soccer team, wore them at every big match of the 2002 World Cup.

## IMPORTATION OF ENGINE GENERATORS FROM CHINA HELD TO BE UNFAIR TRADE PRACTICE

On December 15, 2004, the Korean Trade Commission ("KTC") held that a Korean company's importation and sale of certain engine generators, which were manufactured by KAMA (a Chinese corp.), constitute an unfair trade practice since such activities infringe the intellectual property rights of Honda (a Japanese corp.). As such, KTC decided to intervene and suspend the Korean company's infringing activities in view of Honda's legal rights. Further, KTC also requested assistance from the Office of Customs Administration in order to ban the infringing goods from entering into the Korean market.

Previous to the above, Honda claimed that the design of KAMA's engine generators is very similar to the registered design of their own engine generators. Accordingly, on April 22, 2004, Honda requested KTC to conduct an investigation and demanded that the Korean company be sanctioned for their infringement of Honda's intellectual property rights.

As such, KTC began their investigation on June 30, 2004 to determine whether this is a case of unfair trade practice. Based on the investigation, KTC found that the design of KAMA's engine generators was indeed similar to that of Honda's generators. Consequently, KTC concluded that the Korean company's importation and sale of KAMA's engine generators constitute an unfair trade practice. Thus, KTC held that such activities should be suspended.

KTC's above investigation and the protocol followed therein are in accordance with the Act on the Investigation of Unfair International Trade Practices and Remedy Against Injury to Industry, the relevant provisions of which are as follows: Acts of

importing goods violating intellectual property rights, or acts of selling such imported goods within the domestic market, constitute unfair trade practices, which are prohibited (Article 4); Upon receiving an application, which requests an investigation to be conducted concerning unfair trade practices (Article 5), KTC has the authority to commence with the investigation or undertake an *ex officio* investigation (Article 6); When KTC determines that unfair trade practices exist, it has the authority to order the offender to take corrective measures, such as suspending the importation and sale of goods concerned (Article 10, Paragraph 1); and KTC may request assistance from the relevant heads of administrative agencies when necessary to carry out the corrective measures (Article 10, Paragraph 2).

The significance of the above is clear in that the intellectual property rights of a foreign company were protected equally as those of any Korean company. Given the above precedence, KTC is likely to investigate further cases involving unfair trade practices in order to eliminate the same from the Korean market, thus allowing fair competition among both foreign and domestic companies.

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