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RECENT KOREA TRADE COMMISSION (KTC) DECISION

Upon petition by Eli Lilly and Company (Eli Lilly), the KTC has recently issued a temporary injunction against a generic pharmaceutical company, Shinpoong Pharm. Co., Ltd. (Shinpoong), for patent infringement. In particular, the KTC rendered a decision on March 20, 2006 to the effect that Shinpoong be prohibited from importing hydrochloride gemcitabine (raw medicine for an anticancer drug) as well as from manufacturing and selling the generic drug until the KTC completes its main investigation and renders a final decision. In issuing the temporary injunction, the KTC has found that Shinpoong is highly likely to infringe Eli Lilly's patents, and there is a present and immediate danger of irreparable harm to Eli Lilly.

Eli Lilly owns a number of patents for producing an anticancer agent, gemcitabine, which has been successfully marketed under the trademark "Gemzar." Shinpoong has imported gemcitabine raw medicine from an Indian company, Dr. Reddy's Laboratories Ltd., and manufactured and marketed its generic product to local hospitals. In view of this, Eli Lilly filed a petition for administrative action against Shinpoong with the KTC on October 17, 2005 since the importation and manufacture of infringing goods are considered as unfair trade practices under the Act on the Investigation of Unfair International Trade Practices and Remedy against Injury to Industry. The KTC has accepted Eli Lilly's petition and has been investigating whether Shinpoong has indeed committed an unfair trade practice. During the KTC investigation, however, Shinpoong continued its marketing activities. Thus, Eli Lilly sought a temporary injunction on November 16, 2005 claiming that Shinpoong's continuous patent infringing activities are highly likely to cause

irreparable harm to Eli Lilly. Upon thorough review of both parties' briefs, evidence and independent investigation reports, the KTC has decided to issue a temporary injunction against Shinpoong.

This case is unique and notable in that it was the first case involving a complicated chemical process and intermediate patents as well as being only the second case awarded a temporary injunction by the KTC. There have been only few cases filed based on patent infringement and they involved relatively simple technologies. Further, this case is significant in that the KTC issued a temporary injunction against a local company in a relatively expedited manner (in four months) based upon the request by a U.S company.

THE ROLE OF "OBVIOUSNESS" ARGUMENT IN A PATENT INFRINGEMENT ACTION IN KOREA

The Korean Supreme Court precedent has been clear in holding that the "obviousness" argument is not a valid defense for a defendant in an infringement action since the Korean Patent Act provides different proceedings for challenging the validity of a patent in suit, i.e., invalidation action (before the Intellectual Property Tribunal), which prevents a court from resolving validity issues in an infringement action.

To circumvent the above holding, defendants in patent infringement litigation have sought to challenge the validity of the patent in suit by framing the issue as a question of novelty (rather than that of obviousness). That is, an accused infringer in a patent infringement action could prevail by arguing that the claimed invention is

anticipated by prior art (i.e., falls within the publicly known technology), and thus, the asserted patent right should be invalid. In summary, the "novelty" argument has been allowed in an infringement action, but not the "obviousness" argument.

However, a recent Supreme Court decision appears to have changed its earlier holding in dealing with validity issues in a patent infringement action. The 2000Da69194 decision, rendered on October 28, 2004, states that "even before the decision in the invalidation action becomes conclusive, the court [in an infringement action] can make a decision on whether the patent at issue is unambiguously flawed with invalidation issues." After this decision was issued, a fierce debate has been going on regarding whether the Supreme Court lifted the restrictions on validity issues. Citing the above Supreme Court case, a lower court even decided that it could resolve the "obviousness" argument in an infringement action (2003Na8802 decision rendered on January 25, 2005: This case has been appealed to the Supreme Court).

However, despite the above quoted language in its opinion, the 2000Da69194 Supreme Court decision explicitly states that its prior holdings should not be completely ignored, thereby allowing the "obviousness" argument to be freely asserted in an infringement case. In fact, a recent decision of the Patent Court (2005Heo2878 decision rendered on March 24, 2006) shows that the court still adheres to its original position on validity issues.

In view of the above, no consistent caselaw has been established on whether a court can review validity issues of a patent being asserted and negate the patentee's right based on the review. Therefore, how the Supreme Court decides in other subsequent cases, including an appeal against the 2003Na8802 decision, would be helpful to establish a more clear guideline as to

whether courts can resolve validity issues in a patent infringement action.

INVENTIVENESS OF PATENTED DEVICES IN KOREA

The Patent Court recently held that a patented mechanical device with a novel combination of elements is valid over various prior art, which fails to disclose any motivation for arriving at the patented device (see Korean Patent Court Decision No. 2005Heo2182 rendered on April 7, 2006).

Facts

The patented invention relates to a digital weight scale, which is designed to generate certain information (e.g., dietary menu, physical exercise, etc.) based on measured body weights and transmitted via the Internet or displayed to its users.

The petitioner filed an invalidation action against the above patented mechanical device, claiming that it lacks inventiveness over numerous prior art, particularly with respect to two references ("cited references 1 and 2"). In particular, cited reference 1 relates to a weight scale adapted to store and display variations in body weights, whereas cited reference 2 is directed to an electronic scale for weighing various products and transmitting the weight results to a host computer over a telephone line.

Decisions

The Intellectual Property Tribunal (IPT) held that the patented mechanical device could have been easily conceived from cited references 1 and

2, since its constitutional elements are virtually identical to those of cited reference 1 and its mode of communication (i.e., Internet) is substantially similar to that of cited reference 2 (i.e., telephone line). As such, the IPT concluded that the patented device is not inventive over the cited references and is thus invalid.

However, the Patent Court reversed the IPT's decision and upheld the validity of the patented device. According to the Patent Court, a mechanical device with a novel combination of elements is sufficiently inventive if the relevant prior art fails to disclose any motivation for achieving such a device. Using such standard, the Patent Court held that although its elements may be disclosed in the cited references, the patented invention is nonetheless inventive since the cited references do not possess any motivation for achieving its specific combination of elements.

In particular, although cited reference 1 may be identical to the patented invention in terms of technical field, the technical application and object of cited reference 2 are significantly different from those of the patented invention. Thus, those skilled in the art could not have easily selected the constitutional elements of the prior art and combine them to achieve the patented invention. That is, cited references 1 and 2 do not provide any motivation to combine for achieving the patented invention. Further, the patented invention provides remarkable effects over the prior weight scales due to the unique combination of its constitutional elements. Therefore, the patented invention is sufficiently inventive over the prior art, including cited references 1 and 2.

Remarks

Before this Patent Court decision, combining the teachings of the prior art to produce the claimed invention without some motivation to do so found either explicitly or implicitly in the

references (or as known by those skilled in the art) was generally allowed.

This is the first Patent Court decision, which clearly addressed that in order to invalidate a patented invention based on lack of inventiveness, the combined prior art references must provide sufficient motivation for their combination for arriving at the patented invention. Unless appealed to and overturned by the Supreme Court, this holding may serve as precedent for determining inventiveness issues in Korea. It remains to be seen whether the Korean Intellectual Property Office and courts will strictly follow the inventiveness standard set forth in the decision.

CASE STUDY: UNFAIR TRADE PRACTICES IN KOREA

A claim of unfair trade practices by a trademark registrant in South Korea against local distributors of foreign trademark owners was dismissed by the Korea Trade Commission (KTC) on December 26 2005, based on the finding that the petitioner's trademarks were registered in bad faith.

The Trade Remedy Act

Under Article 4 of The Act on Investigation of Unfair Trade Practices and Remedies Against Injury of Domestic Industry (Trade Remedy Act), acts of importing or exporting goods that violate intellectual property (IP) rights are regarded as unfair trade practices. In this regard, the KTC has the authority to conduct investigations into allegations of certain unfair practices in importation trade. The KTC may also undertake an *ex officio* investigation where it considers it

necessary, due to the existence of a reasonable suspicion of unfair trade practices.

Further, where the KTC determines that unfair trade practices are committed, it may:

- (i) order the suspension of imports, exports, sales and/or manufacturing;
- (ii) prohibit the landing or destruction of such goods;
- (iii) order the publication of corrections in relevant media;
- (iv) take other necessary corrective measures, and
- (v) impose a penalty upon the offender.

Case background

Korean corporation Anasazi Sport, a representative director, and other directors thereof filed applications and acquired registrations for the trademarks 'Thomson', 'Sram', 'Chris King', 'Hope' and 'Parktool', which are famous international marks for bicycles and/or bicycle components.

Anasazi Sport and its directors filed a complaint with the KTC and applied for corrective measures and penalties based on various importers' alleged infringement of Anasazi Sport's registered trademark rights by importing and selling in Korea goods marked by legitimate trademark holders of the same bicycle marks in other countries. The respondents had imported the goods from the proprietors of these trademarks in foreign countries.

The respondents counterclaimed that Anasazi Sport's registrations for the bicycle marks should be invalidated on the grounds that the trademarks were registered in bad faith, that it is illegal or wrongful to file a complaint on the basis of *prima facie* invalid rights and that it constitutes an abuse of trademark rights.

The KTC's findings

The KTC found that the contested trademarks had been advertised vigorously by the foreign proprietors of the marks and that products under these trademarks were actively sold in commerce. It also found that Anasazi Sport had never used the trademarks in commerce. In addition, the KTC found that the complainants had filed applications and acquired trademark registrations for several trademarks other than the trademarks associated with bicycles and bicycle components. Anasazi Sport was barred from membership of the Korean Bicycle Federation on the grounds that it had profited from wrongful registrations of trademarks and had engaged in unfair trade practices.

The KTC issued a citable decision embracing the principle of the abuse of trademark rights, which prevents owners of *prima facie* invalid trademarks (in this case, imitations of well-known trademarks for use on the same type of goods) from alleging trademark infringement in substance.

The KTC decided that the respondents had not violated the provisions set forth in Article 4 of the Trade Remedy Act in importing goods from legitimate rights holders in other countries. It found that the trademarks used by the respondents are identical with marks used previously in foreign countries and which have achieved fame among purchasers of related goods. The KTC found that the complainants had filed applications and acquired the trademark registrations in Korea for the bicycle marks in bad faith.

PATENT COURT IMPLEMENTS ACTIVE ORAL ARGUMENTS IN THEIR PROCEEDINGS

The Patent Court has recently begun to use active oral arguments in all of its proceedings. Oral arguments are spoken presentations to a court by legal counsel (or *pro se* litigants) stating a case's arguments and rebuttals.

The Civil Proceedings Act provides that all pleadings should be based on oral arguments. However, in actual practice, courts have become more accustomed to proceed without any major substantive oral arguments due to an increasing caseload and time constraints, etc. Thus, the courts based its decisions predominantly on the contents of the written briefs.

Under the circumstances, the Patent Court, in an attempt to more fully enforce the principles of oral arguments, will be implementing active oral arguments for all proceedings. The opportunity to present oral arguments before the court may strongly impact or even alter the outcome of a particular case because legal counsel for each side may directly respond to questions posed by the court, dispelling misunderstandings and further persuading the court. Accordingly, it is now required for legal counsel (or *pro se* litigants) to prepare more thorough and detailed presentations before making an oral pleading regarding issues and evidence presented in the written briefs and rebuttals.

RECENT CHANGES TO THE DOMAIN NAME DISPUTE RESOLUTION SYSTEM IN KOREA

The Internet Address Dispute Resolution Committee ("IDRC"), previously known as Domain Name Dispute Resolution Committee, established in 2002 to provide for effective dispute resolution of Internet domain names whose ccTLD is "kr", announced on May 25, 2006 that IDRC has executed a Letter of Undertaking with Asian Domain Name Dispute Resolution Centre ("ADNDRC"), the only online domain name dispute resolution service provider in Asia, to handle disputes relating to domain names ending in generic code suffixes, such as 'com', 'net', 'org', 'biz', 'name', 'aero', 'museum', 'info', 'pro' and 'coop' ("gTLDs"), in Korea and will provide its above service from June 1, 2006.

Until recently, a person whose rights have been infringed by a third party's registration of a gTLD could only seek relief through the dispute resolution proceedings of foreign dispute resolution service providers such as WIPO and ADNDRC. Accordingly, in a case where the domain name at issue is registered by a Korean entity through a foreign registrar, the foreign complainant has to face inconveniences in filing and proceeding with the UDRP action. These include hiring a Korean intermediary to communicate with the Korean registrant, providing the registrant (i.e., the respondent) with the Korean translations of the response and related documentary evidence as well as the complaint whenever they are submitted to the dispute resolution service provider, and/or diminishing the promptness of the proceedings due to the time difference. Thus, despite the significant number of gTLDs held by many Koreans, the cases involving disputes over gTLDs have been few compared to those involving

disputes over "kr"-level domain names.

In order to solve the above problems and inconveniences of the parties involved, the Korean Ministry of Information and Communication and the IDRC have promoted the establishment of an international dispute resolution organization in Korea, resulting in the opening of ADNDRC's Seoul Office. The office will be providing dispute resolution service at fees lower than any other international dispute resolution provider.

In light of the foregoing reasons, with respect to the dispute resolution services, the capacity and scope of the IDRC will extend not only to the kr-level domain names, but also the gTLD-related matters.

RECENT DEVELOPMENTS IN KOREAN TRADEMARK AND DESIGN LAW

Draft amendments to the Trademark Act ("TMA") and the Design Protection Act ("DA") were released on June 14, 2006 to provide better protection for legitimate trademark and design owners and will go into effect on July 1, 2007. Although the amendments can be modified during the review process by the Ministry of Legislation, the key objectives of the amendments are as follows.

I. Amendment to the Korean Trademark Act

i. The End to the Registrations of Imitation Mark

One main purpose of the amendment is to make constructive efforts in putting an end to registration of imitation marks by lowering the standard of fame, which is required to prevent registration of an imitation mark.

Under the current TMA regulations in Korea, the "first-to-file" principle applies, which allows a party to register a mark that imitates another party's trademark if the mark is not well known domestically or overseas. This is because, although the current regulations allow for protection of similar trademarks that are famous or well known but have not obtained prior registration in Korea, the standard of evidence required to show the fame or well-known status of a mark is extremely high. Thus, in most cases, KIPO examiners allow registration even for marks that are identical to another's unique mark if the prior user of the mark cannot produce a convincing amount of evidence regarding the fame or well-known status of its mark. Thus, the current TMA has allowed registration of imitation marks that are liable to cause consumer confusion as to the origin and/or the quality of the goods and impair the goodwill and fame of legitimate trademark owners.

In order to properly address the above problematic issue, the amendment deletes the word "easily" from the current Article 7.1.12. of the TMA, which states as follows:

"Trademarks that are identical or similar to a trademark easily recognized in Korea or outside of Korea as a source identifier of another person, and which are used to obtain unjust profits or to inflict harm on the person shall not be registered."

Furthermore, according to the current TMA, once a party has registered an imitation mark, it can block the prior legitimate user from using the same mark in Korea. However, according to the amendment, even if another party has registered such imitation mark, the prior user of the mark can continue to use its mark, provided that the mark is recognized as being a source identifier of the user to Korean consumers as a consequence of such prior use in Korea, thereby providing greater protection for legitimate trademark owners.

ii. Non-Traditional Marks to be Recognized

To accommodate the current developments in technology and industry, KIPO has decided to expand the types of marks that are allowed to be registered as trademarks. Thus, the amendment of TMA will provide for protection of non-conventional marks as trademarks, such as motion marks, hologram marks and color marks.

iii. Opposition Period to Become 2 Months

In order to provide more time to trademark owners that wish to file an opposition against a published mark, the amendment of the TMA will lengthen the current opposition period of thirty (30) days from the publication date to two (2) months from the publication date.

II. Amendment to the Korean Design Protection Act

i. New Ground of Rejection for Non-examination Design

The DA had adopted a non-examination registration system in 1998, which enables applications for goods that are classified into the following National Goods Classes, to be registered without substantive examination. The goods designated in the list provided by the Regulation of the Ministry of Trade and Industry include clothing items, bedclothes, carpets, curtains, office papers, printed matters, packaging papers, packaging containers and textiles, whose life cycles are relatively short, and are vulnerable to fashion trends, and thus, should be registered in a short period.

Designs falling under this system will be registered after inspection of only the very basic and perfunctory matters, such as whether the design registration is applied appropriately in due form, and whether there is a possible concern for the design to injure public order or morals. This

allows the designs of such goods to be promptly established as a right.

Under the above system, although an examiner can reject registration of the non-examined design registration in case that anyone submits an information and evidence warranting the rejection, many designs that imitated famous designs to "free ride" on their fame have been allowed to be registered. Accordingly, many invalid design registrations have been granted, resulting in numerous disputes between the owners of the famous designs and those attempting to ride on the coattails their fame.

In order to prevent the above problem, the amendment partially applies the "creativity" requirement of design registration to non-examination designs. According to the amendment, a non-examination design which can be easily created by one of ordinary skill to which the design belongs, from a design that is widely known in Korea, cannot be registered. Thus, even without information submitted by a third party, examiners will be able to reject non-examination designs *ex officio* for lack of creativity. Unlike other designs which went through substantive examination, a design which is publicly known or worked cannot be cited for rejection due to lack of creativity for non-examination design, if it is not well-known in Korea.

ii. Deletion of Certain Priority Rights

Under the current DA, a senior design application which was rejected or withdrawn can still be cited as a senior design when it comes to the "first-to-file" rule. Accordingly, junior design applications were often prevented from registration, even if the senior design application was not published.

In order to solve this problem, the amendment deleted the priority right of rejected or withdrawn applications as a senior application

when considering the "first-to-file" rule during the examination of design registrations.

iii. New Due Date for Requesting Secrecy of Designs

An applicant for a design registration may request that such design be kept secret for a period of up to three (3) years from the date of the design registration (i.e., date of registration of the establishment of the design right), of which normally occurs about one year after the Korean application filing date. In order to be granted such secrecy, a petition shall be filed, requesting such secrecy, at the time when the application itself is filed, under the current DA.

In order to strongly protect design owners from unexpected delay of his/her business development, the amendment allows a design applicant to request that his/her design be kept secret, until he/she pays the design registration fee.

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