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## PROVISIONS FROM THE U.S.-KOREA FTA ON PATENTS AND REGULATION OF PHARMACEUTICAL PRODUCTS

In the recently concluded U.S.-Korea Free Trade Agreement (FTA), some significant agreements were made with respect to patents and regulation of pharmaceutical products.

### Linkage Between Patents and Product Registrations

Due to patent infringement issues related to the approval of generic drugs, certain measures were viewed as necessary in establishing a linkage between patents and pharmaceutical product registrations. The recent FTA has addressed this proposal and it will be interesting to see how the provisions of the FTA are specifically implemented into the Korean patent and pharmaceutical regulatory systems.

### Abolition of Patent Revocation

A compulsory license may be granted when a patented invention is not practiced in Korea for more than three consecutive years without any justifiable reasons. Further, a patent registration may be revoked if the invention has not been practiced in Korea for more than two consecutive years after a compulsory license has been granted based on the above. Korea has now agreed to abolish this rule revoking patents based on such grounds.

### **Extension of Six-Month Grace Period to One Year**

Korea currently provides a six-month grace period in presuming the novelty of a patent. That is, even if an invention was publicly disclosed or published within or outside of Korea, it may still be deemed novel if a patent application is filed within six months. Korea has now agreed to extend the grace period to one-year.

### **Patent Term Extension - Unreasonably Delayed Examination**

Under the recent FTA, a patent term may now be extended to compensate for unreasonable delays during prosecution (i.e., a delay of more than four years from filing and three years after requesting examination). However, any delay attributed to the applicant will not count in assessing the period of patent term extension.

### **Patent Term Extension - Regulatory Approval**

Under the recent FTA, the term of a patented invention may be extended for the period during which the patent could not be practiced due to the regulatory approval process. Currently, Korea allows a maximum of five years for patent term extension to compensate for such period. It remains to be seen how the provisions of the recent FTA will be applied to current patent term extension practice.

### **Maximum Reimbursement Price/National Health Insurance Pricing**

No minimum price has been agreed for new drugs. Further, the recent FTA contemplated the idea of establishing an independent administrative body for handling appeals of decisions related to pricing. This issue still remains to be discussed.

### **Data Protection**

Korea currently provides four or six years of data exclusivity. The recent FTA discussed the possibility of providing a minimum of five years of data exclusivity even for disclosed information relating to safety and efficacy. It is unclear whether data exclusivity protection will extend to information already disclosed or remain limited to data submitted when applying for product registration.

## **NEW TEST FOR DETERMINING WHETHER A CLAIMED INVENTION HAS BEEN EXPANDED/ALTERED**

In Korea, claim amendments may be made at any time with broad flexibility during prosecution insofar as it is made within the original disclosure of a patent application. However, after issuance of a first office action, such flexibility may be reduced. In particular, after an allowance or final rejection of a patent application, an amendment which expands or alters the scope of claim shall not be allowed.

It seems that there exists a common general understanding as to what constitutes "expansion" of the scope of a claim. For example, addition of a claim to the existing claims set and deletion of an existing element from a claim are generally considered to constitute "expansion," and, thus, are not allowed.

On the other hand, there exist inconsistent views concerning the definition of "alteration" of the claim scope. Questions arise specifically when a new element is added to a claim or an existing claim element is specified/limited by an amendment.

Such an amendment may be made in a manner of introducing a feature described in the specification (but not in the claims) into a claim or incorporating a feature described in a claim into another claim.

In the former case (introduction of a feature described in the specification into a claim), court precedents seem to have been consistent (at least during the past several years) in holding that, if a claim, as amended, achieves a new objective, the amendment shall be rejected as altering the scope of claim. On the other hand, there has been no court precedent which clearly set forth a rule directly applicable to the latter case (incorporation of a feature described in a claim into another claim). Lacking clear guidelines, a number of claim amendments belonging to the latter case have been rejected by examiners on the grounds that the amended claim achieves new objectives, and, thus, the amendment is an alteration of the claim scope. Such practice, however, has posed problems for the applicants/patentees who wish to amend claims in order to improve the patentability of the claimed invention.

The Patent Court has recently rendered a decision which is directly on point with the issue. (Patent Court Case No. 2006Heo5966 rendered May 31, 2007)

The case relates an application claiming a drill with twisted coolant passages. An amendment was made in which limitations in some of the dependent claims were incorporated into the independent claim. The amendment was rejected during examination and subsequently in the Intellectual Property Tribunal because the amendment was considered to significantly alter the claim scope.

However, despite the lower decisions, the Patent Court had a different view. Upon reviewing the appeal, they stated that if the feature added to the independent claims

provided improved effects and did not make any difference in terms of how the patent right is extended, the amendment did not alter the scope of the claims.

In making this decision, the Patent Court presented the following new legal principle for determining whether or not a claim amendment substantially alters the claim scope:

- If an amendment, which expands or alters the content, scope or property of an essential feature of the claimed invention, results in the difference in the boundary to which the patent right extends before and after the amendment, then such an amendment substantially expands or alters the claim scope.

- An amendment, which apparently reduces the claim scope, shall be allowed as not constituting a substantial expansion or alteration of the claim scope, unless it provides new or remarkable effects of an extent which could result in a difference in the boundary to which the patent right extends before and after the amendment.

The Patent Court further stated:

- A claimed invention, which lacks an inventive step, may be amended to gain an inventive step by providing improved effects, with the effects not being so novel or remarkable as to result in a difference in the claimed scope to which the patent right extends before and after the amendment.

### Remarks

It has been the sustained prevailing view that the major purpose of allowing post-grant claim amendment and claim amendment after final rejection is to provide the patentee/applicant with a chance to clearly distinguish the claimed invention from the prior art. Such a purpose is in line with the goal of the patent system-

promoting and protecting innovation. The recent Korean amendment practice seems to have deviated from such ideology.

The aforementioned principle concerning the allowed scope of amendment suggested by the Patent Court may rectify the situation. The principle may apply not only to the case of incorporating a feature from another claim but also to the case of incorporating a feature from the specification.

The Patent Court decision has been appealed to the Supreme Court. If the decision is affirmed by the Supreme Court, the ruling will surely provide opportunities for the applicants/patentees to amend claims to overcome the prior art when appealing from a final rejection or after grant of a patent.

## RECENT NOTABLE DECISIONS ON THE ABUSE OF TRADEMARK RIGHTS

Under the Korean court system, while infringement issues are handled by the civil or criminal courts, validity issues are dealt with separately by the Intellectual Property Tribunal (IPT) within the Korean Intellectual Property Office. The IPT is responsible for invalidating or cancelling a trademark, and, thus, a court will usually find a registered trademark enforceable unless there is such IPT ruling. However, in rare cases, a court has found a registered trademark unenforceable if the trademark owner obtained the trademark in bad faith to free ride on another party's well-known mark and to abuse the trademark right for unjust profit. We introduce two recent Supreme Court decisions that are in line with such exceptional reasoning.

The Supreme Court 2005Da67223 Decision denied the enforcement of the "JINHAN COFFEE in Korean & BLACK COFFEE" trademark registration against the manufacturer and distributor of a music record titled "JINHAN COFFEE in Korean."

The backdrop to this case began in 1999, when the defendant manufactured, promoted and sold a music compilation under the title "JINHAN COFFEE in Korean (strong black coffee in Korean translation)." 800,000 units were sold up to August 2003.

In 2002, the petitioner, who had participated in the above record project, filed and registered "JINHAN COFFEE in Korean & BLACK COFFEE" (Reg. No. 557519; hereinafter "Subject Mark") designating the goods as "music recorded compact disk, music recorded tapes, etc." without the defendant's consent.

Based on the Subject Mark's registration, the petitioner filed an injunction against the defendant's use of "JINHAN COFFEE in Korean" as the title of its compilation.

The Court reasoned that the reputation and goodwill acquired by this title belongs to the defendant, because the phrase "JINHAN COFFEE in Korean" is considered to be a source identifier to the consumer for defendant's music compilation and also the title of a copyrighted work (i.e., the compilation record series).

The petitioner has filed and registered the Subject Mark with the intent to free ride on the goodwill acquired by the "JINHAN COFFEE in Korean" title. Furthermore, the petitioner is attempting to procure the goodwill of the trademark from its rightful owner. Therefore, petitioner's actions are an abuse of the rights provided by a valid trademark registration and cannot be protected for they violate the aim and purpose of the Korean Trademark Act.

The Supreme Court 2006Da10439 Decision ruled that accepting an unfair competition claim based on the well-known status of "Versace" against the use of the registered "ALFREDO VERSACE" trademark.

The Italian fashion brand "Gianni Versace," named after a famous Italian designer, launched its products in the early 80's and subsequently became well-known in Korea. In the late 90's, an American designer launched its products through licensees in Korea under the name of "Alfredo Versace" and obtained a trademark registration in Korea.

Gianni Versace filed a lawsuit based on the unfair competition law seeking injunctions and compensations from Korean companies using the Alfredo Versace mark under the license. The Supreme Court agreed with the lower court decision which found that "Versace" is a well-known source identifier in Korea, "Alfredo Versace" is similar to "Versace," and, thus, use of "Alfredo Versace" by Korean companies would cause consumer confusion.

The Court's reasoning states that even though Mr. Alfredo Versace filed and registered the "ALFREDO VERSACE" related marks based on his own name, it was with the intent to free ride on the goodwill and reputation of Gianni Versace's famous "VERSACE" mark in Korea. The mark is similar to the famous "VERSACE" mark, because a combined mark of more than one word is not always perceived in its entirety and even a person's name can be abbreviated into separate portions.

### Final Comments

The above two decisions are not only in the line with rare court holdings denying the enforceability of a registered mark, but they also respectively confirm that 1) the title of a music record can be considered as a source identifier,

and 2) abuse of a trademark right should not be accepted even if it involves a person's own name.

## "ORAL PRESENTATION" PROCEDURE FOR TRADEMARK CASES INTRODUCED IN KOREA

The Intellectual Property Tribunal (IPT) of the Korean Intellectual Property Office (KIPO) has recently introduced an "oral presentation" system for trademark cases to streamline the presentation of arguments and evidence. The IPT has been holding such "oral presentation" only for patents, utility models and design cases.

Compared to the existing "oral hearing" procedure (which is also still available), the "oral presentation" procedure is relatively simple and straightforward. For example, the parties make presentations to one examiner under the new procedure, while oral hearings are held before a panel of three examiners. Further, the new procedure is available in both Seoul and Daejeon (about 2 hours from Seoul by car, which is where KIPO is located), whereas oral hearings must be held in Daejeon. Thus, the new procedure is much more convenient for the parties involved and should improve efficiency in presenting arguments and evidence.

The "oral presentation" applies to both *inter partes* proceedings (*appeals of KIPO's final rejections*) and *ex parte* proceedings (invalidation actions, cancellation actions and confirmation of scope trials) of the IPT.

The new "trademark oral presentation" procedure can be requested by either party (from July 1, 2007) or the examiner (from June 1, 2007).

## RECENT AMENDMENTS OF THE KOREAN COPYRIGHT ACT: INCREASED APPLICABILITY TO THE DIGITAL AGE

The newly amended Copyright Act (the amended Act) was promulgated on December 28, 2006 and became effective on June 29, 2007. These full-scale amendments are intended to increase the applicability of the Act in this digital and Internet technology environment, and provide new protection for certain legitimate copyrights and neighboring rights in accordance with international treaties. Notable amendments can be summarized as follows:

### **Creation of the "Right of Communication to the Public" Granted to Copyright Holders**

The newly created definition of the 'communication to the public' includes broadcasting/transmission/digital phonic transmission and this right of communication to the public is granted to copyright holders. The 'communication to the public' under the amended Act means transmitting copyrighted work or making them available to the public, including performance/phonogram/broadcasting or databases for the purpose of enabling the public to receive and access the same via wireless or wired communications. Under the previous Act, it is disputed whether certain use of copyrighted work by way of communicating through the computer networks (i.e., real-time web casting), falls under broadcasting or transmission. Thus, the amended Act is intended to resolve any constructive disputes by introducing the above concept, i.e., the right of communication to the public.

### **Defining "Digital Phonic Transmission" and Granting Remuneration Right to Neighboring Right Holders**

It has been disputed whether a digital phonic transmission falls under "broadcasting" or "transmission" under the previous Act. The amended Act stipulates that a digital phonic transmission is "digitally transmitting phonic messages as a public transmission, which is commenced by the request of members of the public for the purpose of enabling the public to receive the same simultaneously. This is on the condition that transmission is excluded." Further, in granting an exclusive right to digital phonic transmission copyright holders in the form of the right of communication to the public, the amended Act also grant a remuneration right to its performers and phonogram producers for digital phonic transmission.

### **Amendment to the Provisions Regarding Limitations on Economic Rights**

The amended Act systemized the provisions regarding restrictions on economic rights in order to increase the strength of existing copyrights and foster fair use. Some of the significant related amendments are as follows: (1) public political speeches may be freely used; however, editing and/or using such speeches of a single author is prohibited; and (2) articles and editorials on current events appearing in newspapers and Internet newspapers may be reproduced, distributed and broadcasted by other mass media (except for in a case where it is expressly prohibited in the relevant article or editorial).

### **Strengthening Neighboring Rights and Extension of Protection for Rights of Foreign Performers and Phonogram Producers**

The amended Act highly enhances the degree of protection of neighboring rights, and the rights of foreign performers and phonogram producers.

First, performers have been newly granted with the "right of paternity" and the "integrity right" which fall under the moral rights and the right to distribute the reproduction of their performance.

Second, phonograms produced by a national of a country which has acceded to or ratified a treaty on the protection for phonograms producers, which the Republic of Korea has also acceded to or ratified, shall be protected; and the term of protection will be calculated from "the date of release of the phonogram," not from "the date, when the sound is first fixed in the phonogram."

Lastly, foreign performers and phonogram producers may be entitled to receive remuneration for the broadcasting of their commercial phonograms subject to the principle of reciprocity (prior to the amendments, their remuneration right was not recognized); provided, such claim may be invoked only through entities designated by the Minister of Culture and Tourism. In particular, performers and phonogram producers shall be granted with remuneration rights for the digital phonic transmission regardless of their nationality, as a national treatment without any limitations and such claim may be invoked through designated entities.

#### **Amendments Related to On-Line Service Providers (OSP)**

When a person claiming his/her right demands a discontinuance of service for a possible infringement, OSP shall discontinue the reproduction and/or transmission of the works 'immediately' (as opposed to the previous Act, under which OSP shall discontinue the reproduction and/or transmission of work 'without delay'). Upon a copyright holder's requests, OSP, whose main purpose is to transmit copyrighted work among users through its computer networks, shall take technical measures

to block the illegal transmission of the concerned work.

#### **Amendment of the Penalty Provision**

Repetitive acts of copyright infringement for profit may be subject to criminal punishment even without a copyright holder's accusation. This amendment reflects that it is necessary to hold the infringer accountable even without the filing of a complaint by an aggrieved right holder, since such infringing acts are likely to harm the order in use of the copyrighted work as well as the industrial order.

#### **Others**

The Minister of Culture and Tourism, mayor or county magistrate may collect and destroy any illegal or unauthorized reproduction of copyrighted work, and the Minister of Culture and Tourism may order the deletion of such illegal or unauthorized reproduction available on-line.

## **RECENT AMENDMENT TO THE KOREAN TRADEMARK ACT: CHANGES IN THE PROTECTION RIGHTS**

The Korean Trademark Act (TMA) was recently amended and ratified on January 3, 2007 (but major revisions went into effect as of July 1, 2007). The major features of the amendment are as follows:

#### **Stronger Protection of Well-Known Marks**

One main purpose of the amendment was 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 previous TMA, the "first-to-file" principle applies, which allowed a party to register a mark that imitates another party's trademark if the mark was not well known domestically or overseas. This is because, although the previous law allowed for protection of similar trademarks that were famous or well known but have not obtained prior registration in Korea, the standard of evidence required in showing the fame or well-known status of a mark was extremely high. Thus, in most cases, examiners at the Korean Intellectual Property Office (KIPO) even allowed registration for marks that were identical to another's unique mark if the prior user of the mark cannot sufficiently produce convincing evidence showing the fame or well-known status of its mark.

In order to properly address the above problem, the amended TMA lowered the standard of fame by deleting the word "easily" from Article 7.1.12 of the previous TMA, which is the most frequently used provision in seeking protection of famous foreign marks. The previous Article stated as follows:

"Trademarks that are identical or similar to a trademark easily recognized in Korea or outside 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."

The amendment applies to trademark applications filed after July 1, 2007.

### **Right to Use a Mark Based on Prior Use**

The "registration" system generally does not recognize any trademark rights based on prior use except in which the prior use of a mark has achieved a level of well-known status. In order to

properly protect a prior user's business and interest under the "registration" system, the amended TMA provides a prior user with the right to continuously use its mark without infringing the trademark rights of a registered mark, which is identical or similar to the prior user's mark, if the following conditions are met:

- (a) The prior user had been using its mark before the registered mark was filed, without the bad-faith intent of committing an unfair competitive act; and
- (b) The prior user's mark is recognized as being a source identifier of the user to Korean consumers as a consequence of such prior use in Korea.

This Right to Use only applies against third party's registrations filed after July 1, 2007.

### **Recognition of Non-Traditional Marks**

To accommodate current developments in technology and industry, KIPO has decided to expand the types of marks that are allowed to be registered as trademarks. Thus, under the amended TMA, non-conventional marks, such as marks in motion, hologram marks, and color marks can also be registered, so long as such marks are visually recognizable.

Under the recent amendment of the Trademark Examination Guideline, a color that serves a functional purpose (e.g., (i) indispensable or generally used in connection with designated goods; (ii) aesthetically required to promote marketing of the designated goods; or (iii) indispensable for the purpose and usage of the designated goods or having impact on the price or quality of the goods) cannot be registered. Drawings or pictures should be submitted with descriptions (limited to 500 words) for marks in motion and hologram marks. Electronic

documents, such as CD ROMs, video tapes, etc., may also be submitted.

### **Extension of Opposition Period to Two Months**

In order to provide more time for 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 days to two months from the publication date.

### **Extension of Priority Filing Period to Six Months after Non-Use Cancellation**

If a registered trademark is not used without any justifiable reason(s) (i.e., prohibition of importation by the Korean government) by its holder or by an exclusive or non-exclusive licensee during the three years immediately preceding the date of a cancellation trial brought by an interested party, an interested party may bring a cause of action against the holder and/or licensee.

An important result of winning a cancellation action is that the petitioner has a priority period to apply for registration of a trademark identical or similar to the trademark that was cancelled due to the non-use cancellation action. The amendment has extended the priority period of three months to six months from the date on which the cancellation decision becomes final and conclusive. However, if the cancellation action was filed before July 1, 2007, the priority period remains at three months.

### **Required Specification of Rejection Ground for Each Goods/Services**

Under the previous practice, KIPO examiners had a tendency not to specify the ground(s) of rejected trademark applications for each designated goods/services. Accordingly, it was very difficult to respond to such Office Actions

without first holding an interview with the KIPO examiners, especially when the application designated a substantial numbers of goods/services. In order to ease the applicant's burden, the amended TMA requires that the grounds for rejection must be specified in connection with each designated goods/services.

### **Broadening of the Subject of Conversion of Trademark Applications**

For the applicant's convenience, the amended TMA allows conversion of applications among trademarks, service marks and collective marks, while the previous TMA only allowed a conversion between service marks and trademarks. Further, the amended TMA also allows conversion of applications into new applications from goods-addition applications or renewal applications.

### **Extinguishment of Trademark Right in Case of Liquidation**

Where the transfer of a registered trademark is not recorded with KIPO by a successor within three years following the death of the original trademark owner, the trademark right shall be extinguished three years after the death of the original trademark owner. This clause only applies to a natural person, and cannot be applied to a juristic person, such as a corporation. Further, there was no separate provision stipulating the extinguishment of a trademark right, when a corporation, as a trademark registrant, is liquidated. Therefore, there have been many valid trademark registrations that prevented other parties from registering a trademark identical or similar to the registered marks because they were not practically owned by any entity.

In order to resolve the above problem, the amended TMA provides that a trademark registration owned by a corporation in liquidation shall be extinguished one day after the date on

which the termination by liquidation is recorded in the commercial registry, provided that a transfer of the trademark registration is not recorded with KIPO by that day.

### **Recovery of Filing Fee**

If an applicant of a trademark application withdraws or abandons its application within one month from the filing date, KIPO has decided to return the filing fee to the applicant.

### **Notification of Rejection Ground for Madrid Application**

If a KIPO examiner found grounds for rejection of an International Application had filed in accordance with the Madrid Protocol, KIPO sent its Office Action to the applicant of the International Application as well as to WIPO.

However, KIPO concluded that it is unnecessary and ineffective to send an Office Action directly to the applicant and that such practice is not common in other jurisdictions. Therefore, the amended TMA has made it clear that the Office Action of an International Application filed in accordance with the Madrid Protocol can be sent only to WIPO.