

CONTENTS

- 1 KOREAN RECOGNIZED AS ONE OF THE OFFICIAL LANGUAGES OF PUBLICATION UNDER THE PATENT COOPERATION TREATY
- 2 EFFECT OF KOREA-U.S. FREE TRADE AGREEMENT ON INTELLECTUAL PROPERTY RIGHTS IN KOREA
- 6 INDUSTRIAL TECHNOLOGY DISCLOSURE PREVENTION AND PROTECTION ACT
- 7 RECENT KOREAN COURT DECISIONS REGARDING THE SCOPE OF PROTECTION FOR MARKS THAT HAVE ACQUIRED SECONDARY MEANING OR FAME BASED ON USE
- 8 AMENDMENT OF REGULATIONS GOVERNING THE INVESTIGATION OF UNFAIR TRADE PRACTICES
- 9 KOREAN TRADE COMMISSION OPENS NEW REPORTING CENTERS FOR UNFAIR TRADE PRACTICES
- 10 LAUNCH OF “.asia” TOP-LEVEL DOMAIN NAME

KOREAN RECOGNIZED AS ONE OF THE OFFICIAL LANGUAGES OF PUBLICATION UNDER THE PATENT COOPERATION TREATY

In the 43rd general assembly meeting of the World Intellectual Property Organization (WIPO) held in Geneva, Switzerland last September, it was unanimously decided that Korean would be included as a language of publication under the Patent Cooperation Treaty (PCT). The current PCT regulations list English, French, German, Japanese, Russian, Spanish, Chinese, and Arabic as the official languages of publication for international applications and stipulate that, if an international application is not filed in one of these languages, a translation into a language of publication needs to be furnished and the application should be published in the language of that translation. The new amendments to the current PCT regulation adding Korean, as well as Portugese, as the official languages of publication for international applications will go into effect on January 1, 2009, and will be applicable to international applications whose international filing date is on or after January 1, 2009. This decision to include Korean as one of the official languages of publication under the PCT is a reasonable response to the requests of PCT applicants who use Korean, the fifth largest group of PCT users in 2006.

In spite of Korea's significant contribution to the PCT system, the current language restriction has prevented applicants from Korea from fully utilizing the PCT system. At present, when an applicant files an application in Korean, the applicant is obliged to furnish a translation of the application in one of the languages of publication for the international publication within 14 months of the priority date. According to the WIPO statistics, the percentage of Korea's patent filings through the PCT system in 2005 was only 13.96%

of the total patent filings from Korea. With the inclusion of Korean as one of the official languages of publication for international applications, however, it is anticipated that the convenience of preparing for the international phase will be significantly enhanced and more applicants from Korea will be encouraged to use the PCT system when they file patent applications abroad. For example, under the current PCT system, if an international application is filed in Korean claiming priority to an earlier-filed application, the applicant is likely to only have about 2 months to submit the translation of the application. However, after the new amendments to the PCT regulation enter into force, Korean applicants will be able to set aside the translation until the deadline for entering the national phase, which means that they will have more time to prepare the translation, i.e., of about 18 months for most countries, where the time limit for national phase entry under Chapter I is 30 months from the priority date, or about 8 months for several other countries where the time limit for national phase entry under Chapter I is 20 months from the priority date.

Further, under the new PCT system, if an international application is filed and published in Korean, the applicant will be allowed to file amendments in Korean and receive various papers, such as the international search report and the international preliminary examination report, in Korean during the international phase, which will benefit applicants from Korea who are not fluent in English. In addition, WIPO plans to launch a database where a user can retrieve international applications that are published in Korean. Thus, the inclusion of Korean as an official language of publication for international applications will encourage more applicants from Korea to use the PCT system and ultimately enhance the resources for improving the PCT system. Furthermore, after filing an international application under the PCT in Korean, an applicant will be able to evaluate the patentability of its

invention up until the time of national entry in the individual countries without having to pay for the cost of preparing an English translation of the application. In sum, the inclusion of Korean as a language of publication, along with the subsequent growth in PCT applications from Korea, is expected to enhance the quality of the PCT system and lead to the publication of more high-quality Korean inventions in the international domain.

EFFECT OF KOREA-U.S. FREE TRADE AGREEMENT ON INTELLECTUAL PROPERTY RIGHTS IN KOREA

On April 1, 2007, Korea and the U.S. concluded the Korea-U.S. Free Trade Agreement (FTA). The goal of the Korea-U.S. FTA is to promote and strengthen the economic ties between Korea and the U.S. by eliminating certain trade barriers between the two countries. The Korea-U.S. FTA is expected to strengthen the protection of patents, trademarks, and copyrights with respect to both substantive and procedural aspects and is, thus, considered to reflect pro-IP right policies. Further, it is anticipated that the Korea-U.S. FTA will reinforce the protection of pharmaceutical products in Korea. While the revisions to the Korean intellectual property statutes may be modified during legislative review, we introduce the key changes that have been proposed as a result of the Korea-U.S. FTA, as well as several other important changes.

Korean Patent Act

Abolition of Compulsory License-Based Patent Revocation

The Korean Patent Act currently states that a

compulsory license may be granted when a patented invention is not practiced in Korea for more than three (3) consecutive years without any justifiable reason and that, if a thus-licensed patent is not practiced in Korea for more than two (2) consecutive years after the compulsory license grant, it may then be revoked. As part of the FTA, Korea has now agreed to abolish the above provision and limit the grounds of patent revocation to only those for rejecting patent applications.

Extension of the Novelty Grace Period

The Korean Patent Act currently provides a six-month grace period for 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 from the disclosure or publication of the invention. Under the FTA, this grace period has been extended to one year.

Patent Term Extension Due to Unreasonable Delays and Regulatory Approval

Under the FTA, a patent term may be extended to compensate for unreasonable delays during prosecution if the applicant files a petition. Thus, if a patent is granted after several years of litigation, including proceedings at the Intellectual Property Tribunal (which is the upper body of the Korean Intellectual Property Office), the Patent Court, and possibly the Supreme Court, the patent term may be extended to cover the period after four years from filing or three years from requesting examination, whichever is later. However, any delay attributed to the applicant will not count in assessing the period of patent term extension.

Further, as already reflected in the current statutes which allow a maximum patent term extension of five years for delays due to regulatory approval, the FTA states that a patent term may be extended for the period during which the patent could not be practiced due to a regulatory approval process.

Protection of Trade Secrets

Currently, trade secrets have only been protected by the Unfair Competition Prevention Act. As part of the FTA, Korea has now agreed to introduce protection orders of trade secrets. The new provision regarding protection orders stipulates that, when a party of a lawsuit proves that: (i) its trade secrets are contained in briefs already filed or briefs to be filed, or evidence already investigated or evidence to be investigated; and (ii) the release of the trade secrets need to be limited as it may interfere with the business of the party, the court may order that the parties, counsels, or employees thereof in the lawsuit should not disclose the trade secrets to others who are not under the protective order or use the trade secrets for purposes other than the lawsuit. If the parties, counsels, or employees thereof obtained the trade secrets through sources other than the briefs or evidence mentioned above, the protection order may not be rendered. In addition, a party dissatisfied with the protective order may also appeal against the order. Further, a person who violates the protective order without any justifiable reasons may be punished by imprisonment up to five (5) years or a fine up to fifty (50) million Korean Won. However, if the other party does not accuse the person who violates the protective order, prosecution procedures may not be initiated.

Patent - Product Registration Linkage

Under the FTA, an owner of a pharmaceutical patent shall be notified if others file an application for approval of a generic drug, and measures to suspend the approval process shall be taken in order to prevent others from selling the generic drug without the patent owner's consent or allowance. This provision is in line with the U.S. practice where a generic product registration is automatically stayed for up to thirty (30) months upon the filing of an action by the original drug company challenging such registration.

Maximum Reimbursement Price/National Health Insurance Pricing

While the FTA does not guarantee any minimum pricing for new drugs, it states that the pricing decision will consider the value of the patented drug and/or any additional value based upon comparative safety/efficacy. In addition, as part of the FTA, Korea has agreed to establish and maintain an administrative body to hear, at the request of a directly affected applicant, recommendations or determinations regarding the pricing and reimbursement of pharmaceutical products or medical devices. The above administrative body shall be independent of the health care authorities at its central level of government that operates procedures, e.g., for setting the amount of reimbursement for pharmaceutical products.

Data Exclusivity

The Korean Patent Act currently provides four (4) or six (6) years of data exclusivity under the "drug re-examination" system. As part of the

FTA, Korea has now agreed to provide a minimum of five (5) years of data exclusivity for information relating to the safety and efficacy submitted in support of the marketing approval of pharmaceutical product and a minimum of ten (10) years of data exclusivity for agricultural chemical products. The FTA stipulates that a minimum of five (5) years of data exclusivity is provided even on safety and efficacy information submitted in support of the prior marketing approval in other territories. Separately, the FTA stipulates that, if Korea or US requires, as a condition of granting marketing approval for a pharmaceutical product containing a previously approved chemical entity, the submission of new clinical information that is essential to the approval of the pharmaceutical product containing the previously approved chemical entity, then the party shall not authorize another to market the same or a similar product based on the new clinical information submitted in support of the marketing approval, for at least three (3) years from the date of marketing approval.

Korean Trademark Act

Protection of Sound and Scent Marks

The Korean Trademark Act currently defines a trademark as "any sign, character, figure, three-dimensional shape, color, hologram or any combination thereof, as well as others which are visually recognizable." Accordingly, the text of the Korean Trademark Act has been construed to exclude sound and scent marks. According to the FTA, the proposed amendment of the Korean Trademark Act now extends protection to both sound and scent marks.

Protection of Certification Marks

According to the FTA, Korea has also agreed to protect certification marks, which are defined as marks, which have been certified by the owner of the mark concerning the characters of its goods or services, such as quality, origin, ingredients, etc.

Abolition of the Requirement for Recordation of Exclusive Trademark Licenses

Currently, the Korean Trademark Act requires an exclusive trademark license to be recorded in order to establish the validity of the license. As part of the FTA, Korea agreed to abolish the recordation requirement.

Statutory Damages for Counterfeit Trademarks

According to the FTA, a new system of statutory damages which provides maximum and minimum damages for trademark infringement is to be implemented. The statutory damages only apply to "infringement by counterfeit trademark" which is defined as "the act of using a mark that is identical with or substantially indistinguishable from another's trademark that is used, in connection with goods that are identical with or substantially indistinguishable from the goods, which another's registered mark designates."

Korean Copyright Act

Extension of Copyright Protection

The current Korean Copyright Act provides 50 years after the author's death or the publication or creation of the work for protection of copyright. Under the FTA, the protection period for copyright is to be

extended to 70 years. In order to ease the impact following this extension, however, the amended provision will become effective after a two-year grace period

Application of Offense Subject to Non-Complaint

Under the current Korean Copyright Act, the criminal prosecution for copyright infringement can be sought only upon obtaining the copyright holder's complaint. As part of the FTA, Korea has now agreed to initiate "an offense subject to non-complaint," which allows criminal actions to be filed against copyright violators without obtaining the copyright holder's complaint.

Copyright Protection for Temporary Storage

According to the FTA, copyright protection on the internet will be strengthened. Copies made in the temporary memory of a computer will be entitled to reproduction rights and will be protected under the amended Korean Copyright Act. As such, a copyright owner has reproduction rights to even a temporary storage of such property in a computer RAM. However, if a temporary reproduction is made for public interest (e.g., news report, education, study, etc.), then it is exempted from copyright infringement. In addition, under the FTA, attempts to circumvent any effective technological measure that controls access to a protected work, performance, phonogram, or other subject matter will be prohibited.

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INDUSTRIAL TECHNOLOGY DISCLOSURE PREVENTION AND PROTECTION ACT

The "Industrial Technology Disclosure Prevention and Protection Act" (the "Act") became effective in Korea on April 28, 2007, with the Ministry of Commerce, Industry and Energy (MOCIE) issuing a public notification on August 29, 2007 listing the types of technology considered to be "national core technology."

Purpose of the Act

The purpose of the Act is to prevent the illegal disclosure of "industrial technology" and to regulate the assignment or transfer of "national core technology."

Main provisions

- "Industrial technology" refers to technology designated (by the relevant government agencies) from all technical information/methods necessary for developing, manufacturing, distributing and utilizing products or services to enhance industrial competitiveness. The illegal disclosure of such industrial technology outside of Korea (e.g., through theft) is barred by the Act.
- "National core technology" refers to industrial technology having a high technical or economic value or a high growth potential in the domestic/foreign market, and whose

disclosure outside of Korea poses a serious threat to the national security or economy.

- National core technology is subject to: (i) export approval if the R&D was supported by government funding; and (ii) export declaration if no government funding was involved. The Act does not specifically define "export" and its scope may thus also cover the licensing or transfer of technology through a merger or acquisition involving a Korean company. If national core technology subject to export approval is improperly exported (e.g., without the required approval, through incorrect procedures, without an export declaration, or using a false declaration), MOCIE may suspend or prohibit the export or order "restoration to the original state." Further, violators of the Act would also be subject to criminal prosecution. For any national core technology subject to export declaration, MOCIE may suspend or prohibit the export or order "restoration to the original state," if it determines that the export may pose a serious national security risk. In this regard, the parties may request a preliminary review by MOCIE to determine whether an export of national core technology would raise such national security issues.

Remarks

In view of the Act, it is recommended that a careful review is made to insure compliance, when licensing or acquiring technology originating from Korea (e.g., when acquiring a Korean company owning such technology).

RECENT KOREAN COURT DECISIONS REGARDING THE SCOPE OF PROTECTION FOR MARKS THAT HAVE ACQUIRED SECONDARY MEANING OR FAME BASED ON USE

The past several months brought two new decisions from the Korean Patent Court and Supreme Court regarding the standards that should be met in order for a mark that has gained a secondary meaning or fame to be protected under the Unfair Competition Prevention and Trade Secret Protection Act.

On July 13, 2007, the Korean Supreme Court issued a decision on the issue of whether a widely sold product shape bearing a trademark should be protected (*Prosecutor's Office vs. WookHyun Jung*, Supreme Court Case No. 2006Do1157, July 13, 2007). In *Prosecutor vs. WookHyun Jung*, the plaintiff claimed that the defendant's product was an imitation of the shape of SCENT CLUB's paper refill air fresheners, which had the shape of a square envelope with the mark "SCENT CLUB" inscribed on the surface.

The Supreme Court held that the shape of SCENT CLUB's product was identical to the basic shape of other paper refill air freshener products that were being manufactured and sold within Korea and overseas. While acknowledging the fact that SCENT CLUB's product had a felt envelope within the outer envelope, the Supreme Court found that the felt envelope, because it was hidden, was insufficient to be considered as a distinctive characteristic that made SCENT CLUB's air freshener different from the other fresheners on the market. Furthermore, the Supreme Court stated that consumers would probably recognize the source of SCENT CLUB's

product by the obvious inscription of the "SCENT CLUB" mark on the product rather than its shape. Thus, the Supreme Court reasoned that, while SCENT CLUB's unrivaled position in the air freshener market may be an appropriate basis to prove the fame of the "SCENT CLUB" trademark or trade name, it did not mean that the shape itself of SCENT CLUB's product had gained fame. Accordingly, the Supreme Court held that SCENT CLUB's air fresheners could not be considered "a mark that indicates a third party's product" under the Unfair Competition Prevention and Trade Secret Protection Act.

In *Johnson & Johnson vs. Korean Intellectual Property Office (KIPO)* (Patent Court Case No. 2007Hu3868, September 5, 2007), the Korean Patent Court ruled on the registrability of a trademark similar to a mark with a secondary meaning.

The mark in *Johnson & Johnson vs. KIPO* involved the following mark that Johnson & Johnson applied for with cosmetics as its designated goods:



The Patent Court found the above mark to be descriptive and additionally rejected the applicant's argument that the mark had acquired secondary meaning through use. The Patent Court stated that the following marks actually used by the applicant:



were different from the applied-for-mark shown above, because the letters were white against a dark background (as opposed to the dark letters against a light background in the applied-for-mark), the outline of the boxes were raised with rounded or angled corners, or the box contained several lines in a grid. Accordingly, the Patent Court held that, even if the marks used by the applicant may have acquired a secondary

meaning based on use, that did not extend to the applied-for-mark because of such differences between the marks.

Thus, it is likely that the above two decisions, which limit the scope of identity permitted for the protection of a trademark that has acquired a secondary meaning or fame due to use, will have an impact on the trademark protection of combination marks that include inherently non-distinctive portions.

AMENDMENT OF REGULATIONS GOVERNING THE INVESTIGATION OF UNFAIR TRADE PRACTICES

Recently, the Korea Trade Commission (KTC), the government agency supervising the relief system for import-related damages and unfair trade practices in Korea including intellectual property (IP) infringement, amended the regulations governing the investigation of unfair trade practices. The purpose of the amendment, effective as of July 6, 2007, is to address the rapidly increasing number of IP infringement cases and to enable domestic and foreign companies to utilize the KTC relief system more easily by simplifying the information required for a KTC petition to initiate the investigation process. The details of the amendments are as follows.

Introduction of a Chief Committee Member System

Prior to the amendment, the KTC Trade Investigation Office was responsible for conducting IP infringement investigations, with no guidance or supervision by the KTC commissioners. (Currently, the KTC is composed of one chairperson and eight commissioners.)

With the new amendment, when an IP infringement investigation is initiated, the KTC chairperson will appoint up to three experts in the relevant field as Chief Committee Members (CCM) for a more effective resolution of IP disputes involving a high degree of expertise. The CCMs are to be selected from the KTC commissioners, and their main tasks will include directing the investigation, supervising investigators, and reviewing potential resolutions to assist the KTC decision-making process.

Simplified KTC Petition Requirements

Prior to the amendment, the petitioner was required to provide information, such as the respondent, the HS Code (the classification code for imported/exported products for the assessment of customs duties) of the product to be investigated, and evidence of import/export activities in the KTC petition. However, since information, such as evidence of import/export activities, could not be easily obtained, this requirement operated as a practical obstacle for petitioners.

With the new amendment, if the petitioner cannot provide evidence of import/export activities, information supporting the suspicion of such activity may be submitted instead. Further, the HS code is only required if known to the petitioner, and the importer, exporter, manufacturer or seller may be named as the respondent, meaning that a petition may now be filed even if only the seller or manufacturer is known.

Other Amendments

The security deposit that was required when requesting a KTC provisional measure is now reduced by 50% for small and medium-sized companies. Specifically, the security deposit is now based on the petitioner's expected trade amount over 3 months after enforcement of the

provisional measure, as opposed to 6 months before the amendment.

KOREAN TRADE COMMISSION OPENS NEW REPORTING CENTERS FOR UNFAIR TRADE PRACTICES

On September 19, 2007, the Korea Trade Commission (KTC), under the Ministry of Commerce, Industry and Energy, designated and announced the opening of a “reporting center for unfair trade practices” at three organizations, i.e., the Korean Electronics Association, the Korean Apparel Industry Association, and the Korea Watch & Clock Industry Cooperative, as part of an effort to closely monitor and expose acts of trading and distributing counterfeit goods that have rapidly increased in recent years.

These reporting centers were initially opened in the above-identified three organizations, because it was determined that infringement of intellectual property rights (IPR) due to counterfeit goods and the resulting damage are most serious in those fields of industries. After the progress of these reporting centers is analyzed for a certain period of time, additional reporting centers are expected to open in other industries in stages.

The reporting centers receive reports of IPR infringement, collect transaction records, photos, etc. as evidence material, if any concrete infringing acts are confirmed, and provide information to the KTC or request the KTC to investigate the infringement.

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investigate the infringement.

In case a report by the reporting center initiates an investigation by the KTC, the KTC and the reporting center conduct a joint investigation. Further, the reporting center also carries out sending warnings to the relevant industries when importation and distribution of counterfeit goods are detected by analyzing import trends of goods in the relevant industry. Meanwhile, the KTC plans to support the activities of the reporting center by providing statistics of relevant data to the reporting center, such as rapid increases in import goods in a given industry, and by reducing corrective measures or surcharges for parties who cooperate in the reporting center's collection of data.

Mr. Shin-Jong Kim, a member of the standing committee of the KTC, indicated that, while the recent rapid increase in the import of goods that infringe IPR has distorted the domestic market, there have been few effective measures, and announced that the reporting centers are expected to be the most effective means of prohibiting such IPR infringement.

The new reporting centers are being pursued as part of the comprehensive improvement program for investigating IPR infringement, which was announced last May by the KTC, and are expected to effectively reveal or prohibit infringing acts through the reporting function of the reporting center in each industry. According to the same improvement program, a person who reports acts of infringing IPR will be given 10% of the surcharge as a reward starting next year.

In addition, the KTC has established and published the “Regulations Concerning the Designation and Operation of Reporting Centers for Unfair Trade Practices” in order to prevent the reporting centers from being operated arbitrarily.

LAUNCH OF “.asia” TOP-LEVEL DOMAIN NAME

DotAsia, a Hong Kong based non-profit organization that operates the .asia top-level domain (TLD) registry, recently started its sunrise process for priority registration for .asia domain names. All organizations wishing to register need to find out which sunrise category they are in and ensure that they meet the relevant deadline for applications. The categories and how the process will work are described as follows.

The .asia TLD is predominantly designated to serve entities within the Asia-Australia-Pacific region (the “DotAsia Community”), as defined by the Internet Corporation for Assigned Names and Numbers (ICANN). To be eligible for a .asia domain, at least one of the domain name contacts, e.g., registrant, administrative, technical

or billing contact, must be a legal entity that validly exists in the DotAsia Community (i.e., the ICANN Asia/Australia/Pacific Region described in 73 ccTLDs).

The sunrise period for priority registration for .asia domain names began on October 9, 2007. This pre-registration period allows registered trademark owners to reserve domain names corresponding to their registered marks/entity names during the second phase, which is of importance to trademarks owners. Table 1 provides a summary of the different phases and the corresponding descriptions.

All applications will go through a verification process. Actual registration of domain names under .asia will be conducted through an ICANN Accredited Registrar or one of its affiliates.

[Table 1]

Phase	Description	Launch Schedule
Sunrise 1 (SR1): governmental reserved names	Governments in the DotAsia Community will be invited to submit a list of relevant reserved names to the .asia registry.	Began October 9, 2007
Sunrise 2a (SR2a): registered marks early-bird sunrise	Trademark or service mark owners may submit their requests for domain names registration, provided that: (i) the mark is in full force and effect; (ii) the mark was applied for registration on or before March 16, 2004; and (iii) the mark has demonstrable usage.	Began October 9, 2007 Ended October 30, 2007
Sunrise 2b (SR2b): general registered marks	Trademark or service mark owners may submit their requests for domain names, provided that: (i) the mark is in full force and effect and (ii) the mark was applied for registration on or before December 6 th , 2006. *Demonstrable usage is not required to accompany the registration request.	Began November 13, 2007 Ends January 15, 2008

Sunrise 2c (SR2c): extended protection	For domain name application of registered marks that qualify under SR2a or SR2b and will be combined with relevant words from the class description in the Nice classification system.	Began November 13, 2007 Ends January 15, 2008
Sunrise 3 (SR 3): registered entity names	Domain name applied for must correspond with the registered entity name (i.e., company name /organization name); The juristic entity must be registered on or before December 6, 2006; Documentary evidence (e.g., certificate of incorporation, etc.) is required and must be submitted; Submitted documents will be posted publicly.	Began November 13, 2007 Ends January 15, 2008
Landrush	Applications filed by the general public are accepted provided that the charter eligibility requirements are met.	Begins February 2008
Auction	If multiple applications are filed for the same domain, the applicant will be invited to take part in an auction for that domain.	
Go Live	Domain registrations will be processed and accepted automatically on a first come, first served basis.	Begins March 2008

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