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ACKNOWLEDGMENT OF A MARK AS IMITATION DESPITE DIFFERENCES BETWEEN GOODS

The Patent Court rendered a decision ruling that a mark imitating a famous mark with bad faith should be invalidated even if no similarity or relationship between the goods of the marks can be found (Patent Court Decision No. 2005heo3864, October 13, 2005).

IPT Decision

The Plaintiff had originally filed an invalidation action against the Defendant's "Pepero in Korean transliteration" mark designating stationary goods, based on the fame of the Plaintiff's "Pepero with Korean translation¹" mark used on confectionary goods, with the Intellectual Property Tribunal (IPT). However, the IPT dismissed the invalidation action ruling that the Plaintiff's mark is famous in relation to snack goods, but not with respect to other goods such as stationary goods.

Patent Court Decision

The Plaintiff appealed the IPT decision to the Patent Court, and the Patent Court reversed the previous decision ruling that the Defendant's mark should be invalidated citing the following reasons.

First, the Patent Court acknowledged the fame of the Plaintiff's mark, "Pepero," based on the following: (1) the "Pepero" marked products have been selling steadily for 18 years (from the launching date to the application date of the Defendant's mark); (2) since 1998, its annual sales figures have exceeded USD 20,000,000; (3) for the past 11 years, advertising expenditures have exceeded USD 300,000 on average per year; and (4) "November 11" has become a day known as

"Pepero Day"² to general consumers after being marketed as such to middle school aged students since 1994.

Notwithstanding said acknowledgment, the Patent Court ruled that there is no similarity or relationship between the snack goods sold by the Plaintiff and the stationary goods sold by the Defendant. Nevertheless, considering that (1) the Plaintiff's mark is a coined mark created by the Plaintiff; (2) the Plaintiff's mark has been well known to diverse levels of consumers since around 1999 after its marketing campaign shifted to general consumers with the success of "Pepero Day" among middle school aged students; (3) the Plaintiff filed various "Pepero" character marks on confectionary products while using the marks on stationary items as gift sets for Pepero Day; and (4) once the Plaintiff started to file, use and advertise many kinds of Pepero marks on character goods, the Defendant's company began to do the same in relation to the character business after the Pepero character, the Patent Court ruled that it can be easily assumed that the Defendant filed the application in order to obtain unjust profit to free ride the accumulated goodwill of the Plaintiff's mark, and thus ruled the mark invalidated.

Conclusion

In principle, under the Korean Trademark Act (TMA), an application of a mark identical or similar to a famous mark filed in bad faith should be invalidated, even if its goods have no similarity with the goods of the famous mark. However, courts are reluctant to invalidate a mark with goods that are not related to those of a famous mark. Nevertheless, this case apparently shows that the TMA works: the mark was declared to be an imitation despite the differences between the goods of the applied mark and those of the famous mark.

¹ "Pepero" is a chocolate-dipped cookie stick, which is very famous in Korea.

² November 11 (11/11) is known as Pepero Day, because "11/11" looks like four sticks, which is similar to the shape of the snack. Pepero Day is an unofficial holiday celebrated mostly by children and couples, like Valentine's Day where friends and couples buy the cookie sticks for each other.

FIRST CRIMINAL SENTENCE FOR TRADE SECRET MISAPPROPRIATION

On December 22, 2005, the Seoul Central District Court sentenced a representative and deputy general manager of OK-diaplus Corporation for trade secret misappropriation. This ruling is the first criminal sentence ever issued since the amended Unfair Competition Prevention and Trade Secret Protection Act took effect in July 2004.

The Court stated that after the representative resigned as manager for the overseas business department at ILJIN Diamond Co., a leading manufacturer of synthetic industrial diamonds, he established OK-diaplus, a sales agency for the Irish competitor to ILJIN, called Element Six (formerly De Beers Industrial Diamonds). He took business secrets from ILJIN, including client information, product costs, and delivery connections, with the help of a former ILJIN co-worker, who later joined OK-diaplus as deputy general manager.

Their actions caused ILJIN considerable loss. The Court deemed the trade secret misappropriation to be serious because the two individuals betrayed their former employer's confidence and gained from the misappropriation. As such, they were sentenced to imprisonment for

eight months with a stay of execution for two years and 120 hours of community service.

Due to this decision, ILJIN may minimize the damages that were caused by the misappropriation. Similar lawsuits are expected to be filed in the future by companies who have suffered from the misappropriation of trade secrets.

TRADEMARK REGISTERED FOR PURPOSES OF UNFAIR COMPETITION NOT PROTECTED UNDER THE UNFAIR COMPETITION PREVENTION AND TRADE SECRET ACT

The Seoul Central District Court rendered a decision ruling that a mark registered and used for unfair competition purposes is not entitled to protection (Seoul Central District Court Decision No. 2005kahap1387).

Background

The Petitioner, Namyang-Yuup ("Namyang"), is a dairy product manufacturer who has used the mark "Namyang BULGARIS" since January of 1991. Sales figures for "Namyang BULGARIS" dairy products from 1991 to 2005 amounted to KRW 770 billion (about USD 770 million) with advertisement figures at KRW 65 billion (about USD 65 million). In addition, "Namyang BULGARIS" dairy products were selected as the "best products for dairy related goods" by various well-known Korean media outlets.

The Defendant of the case, "Maeil-Yuup" ("Maeil"), a competitor of Namyang, had filed an

application for the "Maeil BULGARIA" mark on May 13, 2002, and began using the mark on lactic (acid) bacterium-fermentation products on April 10, 2005.

The lactic (acid) bacterium-fermentation products under the trademark "Maeil BULGARIA" were manufactured under the license of LB Bulgaricum PLC. In addition, the Defendant had already obtained registration for the "Maeil BULGARIA" mark as of October of 2003 for yogurt, lactic (acid) bacterium-fermentation products, etc.

The Petitioner filed a preliminary injunction against the Defendant's use of the "Maeil BULGARIA" mark on lactic (acid) bacterium-fermentation products, based on the Unfair Competition Prevention and Trade Secret Protection Act (UCPA), arguing that such use would cause consumer confusion as to the origin of the designated goods.

The Seoul Central District Court Decision

1. Regarding the fame of the Petitioner's "Namyang BULGARIS" trademark

The Court ruled that as a result of the Petitioner's active use of the "Namyang BULGARIS" mark, the mark achieved famous status among Korean consumers and should be protected under the UCPA.

2. Regarding the possibility of consumer confusion between the "Namyang BULGARIS" mark and "Maeil BULGARIA" mark as to the source of the goods

In addition to the above, the Court recognized that "BULGARIS" has distinctiveness and is neither descriptive nor a famous place name, as argued by the Defendant. Further, "BULGARIS" and "BULGARIA" are similar and may be considered as the dominant portion of its

respective marks. Thus, the use of the "Maeil BULGARIA" mark can cause consumer confusion as to the origin of the goods.

3. Regarding the use of "BULGARIA"

The Court recognized that general consumers do not think the term "BULGARIA" as descriptive for the yogurt products. Further, the Court recognized that the use of "BULGARIA" by manufacturers of lactic (acid) bacterium-fermentation products as a descriptive component can be justified only when it is used for the purpose of describing the product and no bad faith was intended. However, in the case of Maeil, the Court ruled that Maeil did not use "BULGARIA" only for the purpose of describing their products. The Court rendered that Maeil used the term based on bad faith to free ride on the fame of the "Namyang BULGARIS" mark.

4. Regarding the Defendant's defense that the use of "Maeil BULGARIA" is based on its trademark registration, and thus, such use is legitimate

In defending their case, the Defendant cited Article 15 of the UCPA, i.e., "if any provision of the UCPA is inconsistent with the Trademark Act, the UCPA does not apply," and Article 50 of the Trademark Act, which states, "The owner of a trademark is entitled to the exclusive right to use the registered trademark for the designated goods." The Defendant argued that their use of the "Maeil BULGARIA" mark is based on its trademark registration, and thus, the UCPA cannot be applied to this case. However, the Court ruled that the Defendant's trademark registration and use was done after the Petitioner's mark obtained fame in Korea, with the purpose of unfair competition. Thus, the Court rejected the Defendant's argument stating that the Defendant does not have the right to use the mark based on its trademark registration.

RECENT CASE ON REQUIREMENTS FOR PROVIDING DESIGNATED SERVICES

Although the Supreme Court has recently affirmed the Lower Court's decision in an invalidation action against a "Myself alone in Korean translation (*Nahollo*)" service mark for non-distinctiveness, the Supreme Court dismissed and reversed two grounds of the Lower Court's ruling (Supreme Court Decision No. 2004hu271).

Facts of the Case

Nahollo.com filed an invalidation action against an individual's "Myself alone in Korean translation (*Nahollo*)" service mark (hereinafter, "Subject Mark") on the ground that the individual had not acquired certain professional qualifications related to some of the designated services, i.e., "certified labor counselor services, legal research, judicial scrivener services, lawyer services, copyright management, licensing of intellectual property, intellectual property consultancy and administrative scrivener services."

Gist of the Supreme Court Decision

While the Supreme Court accepted the Lower Court's ruling that the Subject Mark indicates the nature of several of the designated services, i.e., "counseling services of how to do work alone without committing the same to professionals engaged in such fields," based on Article 6(1)(iii) of the Trademark Act, the Supreme Court dismissed and reversed two grounds cited by the Lower Court based on Article 2 (definition of trademark) and Article 7(1)(iv) (violation of public order or morality) of the Trademark Act.

The Lower Court had ruled that the Subject Mark was filed without an objective intention to use the Subject Mark and further the individual had not acquired the requirements for an attorney, a certified labor counselor, a juridical scrivener, or an administrative scrivener except that of a patent attorney before the examination of the relevant service mark application was concluded. Thus, it cannot be considered a trademark that is used on goods related to the business of a person who conducts business activities, such as producing, processing, certifying or selling such goods, to distinguish them from the goods of others as defined under the Trademark Act.

However, the Supreme Court found that the application for the Subject Mark was filed on June 19, 2000, and thus, the revision of the Trademark Act (Law No. 6414, revised on February 3, 2001), which newly regulates the above definition of "trademark" as one of the invalidation grounds, cannot be applied to the Subject Mark. Accordingly, the Supreme Court dismissed the above issue.

Further, the Supreme Court reversed the Lower Court decision, which ruled that the Subject Mark is in violation of public order or morality as prescribed under Article 7(1)(iv) of the Trademark Act since the registration of a mark only with the intent of giving a license, with no intention of use by the applicant, cannot be permitted as it is considered as an abuse of his/her right under the first-to-file rule according to the Trademark Act. The Supreme Court pointed out that the Defendant may acquire the requirements for an attorney, a certified labor counselor, a juridical scrivener, or an administrative scrivener at a later time. In addition, it was not proven that the Subject Mark was filed only with the intention of giving a license. Thus, the violation of public order or morality (Article 7(1)(iv) of the Trademark Act) does not apply to the Subject Mark.

Conclusion

In view of the above Supreme Court decision, an application or registration for a mark designating goods or services, which the applicant has not yet been qualified to provide, may not be rejected or invalidated as an applicant may still have a chance to be qualified at a later time and use the mark in relation to the designating goods and services.

SUPREME COURT DECISION REGARDING SIMILARITY OF MARKS IN A FOREIGN LANGUAGE

(Supreme Court Decision No. 2004Hu2093,
November 10, 2005)

The Korean Supreme Court recently reversed the Patent Court's decision which recognized the similarity between the "ZEISS" mark (Cited Mark) and "ZEUS" mark (Subject Mark).

The reasoning behind the Patent Court's decision was based on the similarity between the Cited Mark and the Subject Mark in terms of pronunciation. The Patent Court ruled that the Cited Mark can be pronounced as [ze-i-s], similar to that of the Subject Mark, which is pronounced as [ze-u-s]. In addition, it was determined that the two marks have the same number of syllables (three, when spoken in Korean), with the first and third syllables of both marks sounding the same.

However, the Supreme Court reversed the Patent Court's decision based on the following:

The pronunciation of a mark, consisting of a foreign word or language, is determined by the natural pronunciation by Korean consumers, and if the consumers transcribe the pronunciation by specific Korean

language and such circumstances can be proved, then the mark, which consists of a foreign language pronunciation, will be the Korean transcription.

Based on the above rationale, the Supreme Court acknowledged that in the English-Korean dictionary, the term "ZEISS," is explained as the name of the optical scientist, Carl Zeiss, and as part of the name of the company he founded, which is pronounced as [za-i-s]. Further, in the website and catalogue of Carl Zeiss Co. Ltd., the Cited Mark is transcribed as [za-i-s], and consumers who use optical products such as cameras also pronounce the Cited Mark as [za-i-s].

Therefore, the Supreme Court decided that the Patent Court committed an error when it ruled in its original decision that the Cited Mark is pronounced as [ze-i-s] without considering the above circumstances, and subsequently, reversed the original decision.

In conclusion, the above Supreme Court decision sets a precedent for the lower courts to follow when similarity between two or more marks consisting of foreign words or language, in terms of pronunciation, is to be determined. That is, courts should consider habits of pronunciation and specific circumstances surrounding such pronunciation as well as the English comprehension level of Korean consumers, if such circumstances can be proven, when ruling on the similarity issue of marks consisting of a foreign word or language.

NEW DEVELOPMENTS IN THE PROTECTION OF INTELLECTUAL PROPERTY

To improve the protection of IP rights and enforcement standards in Korea, the Korean Intellectual Property Office (KIPO) recently

announced its analysis of statistical data on design opposition actions. In addition, KIPO, the Korean Customs Service, and the Korean Trade Commission separately announced three measures which have been implemented as of January and February 2006 to protect IP rights and to enforce the established standards.

Recent Statistics of Design Opposition Actions in Korea

The opposition filing system was introduced in 1998, and thereafter was shown to be very effective in cancelling registered designs that imitated famous designs. In fact, 74% of the total oppositions filed have successfully cancelled registered designs. Thus, the opposition filing system has proven to be effective in preventing attempts to "free ride" on the fame of other well-known designs.

The majority of the cancelled registered designs, specifically, 66% of total cancellations, include mostly famous foreign designs such as Louis Vuitton, Chanel, Gucci, Celine, Ferragamo, etc. 70% of the total cancellations pertained to textile fabrics or goods made primarily of textiles, while the remaining 30% included packaging, clothing, bedding, paper goods, etc. In these cases, grounds of opposition actions are generally (i) lack of novelty, (ii) lack of creativity, and/or (iii) consumer confusion with another person's business.

A KIPO official states, "In order to protect designs whose life cycles are relatively short, and are vulnerable to [fashion] trends, you would have to register your designs with KIPO, conduct market surveillance research on a regular basis, and keep abreast of the design registration gazettes published by KIPO." In case of any infringement or possibility thereof, filing oppositions would be an advisable course of action for any company seeking to safeguard its intellectual properties in Korea.

Monetary Reward for Reporting a Counterfeit Product

In an attempt to crack down on counterfeit products, the Korean Intellectual Property Office (KIPO) introduced a reward system on January 1, 2006, in which those who report a counterfeit product are eligible for a monetary reward ranging from KRW 100,000 (approximately USD 100) to as high as KRW 10 million (approximately USD 10,000).

KIPO funds the monetary reward system with its own budget. To elaborate, KIPO's new reward system is intended to help bring to justice those who manufacture and/or distribute counterfeit products, those who infringe trademark rights or exclusive licenses, and those who fall under Article 2(1)(i) of the Unfair Competition Prevention and Trade Secret Protection Act, i.e., an act of causing confusion with another person's goods by using signs identical or similar to another person's name, trade name, trademark, container or package of goods or any other sign widely known in the Republic of Korea as an indication of goods, or by selling, distributing, importing or exporting goods with such signs. In the case of distributors, the counterfeit products they distribute should be worth more than KRW 100 million (approximately USD 10,000) in terms of the price of the related genuine goods.

Any person may file a report when they come across a counterfeit product, although it is required that the person has a legitimate address or business address in Korea (applies to non-Korean citizens as well). Reports can be filed with KIPO, the Prosecutors' Office ("PO"), or the Police Agency ("PA"). The reports filed with KIPO are handled by the competent police authorities, while those filed with the PO and PA are handled internally. In any case, the identity of the person filing the report is to be kept confidential.

The monetary reward, from KRW 100,000 (approximately USD 100) to a maximum of KRW 10 million (approximately USD 10,000), is decided in relation to the price of genuine goods (i.e., the amount of counterfeit product multiplied by the price of the genuine goods). The reward is granted when a prosecuting authority issues an indictment or a suspension of indictment based on the report filed.

In one such case, KIPO awarded KRW 3.3 million (approximately USD 3,300) for a citizen's reporting of a copied product that imitated a famous trademark. The system has so far been successful, considering that there were 223 such cases in January 2006 alone, while there were only a total of 250 reports of counterfeit products for the entire year in 2005.

Korean Customs Service Launches a Special Regulation Team for Counterfeit Products

On February 1, 2006, the Korean Customs Service ("KCS") established a team to regulate the outflow of counterfeit products in order to stamp out the distribution of counterfeit products. The KCS has declared that they will make an all-out effort to change Korea's troubling image as an exporter of counterfeit products.

According to the World Customs Organization, the worldwide distribution of counterfeit products in 2004 was estimated to be worth USD 512 billion, a staggering 7% of the entire global trade. In Korea, such counterfeit products were distributed through traditional methods, such as black markets and street vendors, and more recently, on-line, including Internet shopping malls. The range of counterfeit goods distributed in Korea is diverse, from fashion goods to cigarettes, wristwatches to car components, and even medicine.

To fulfill their new mandate, the KCS has (i) implemented the so-called "Spider System," which helps to mechanically sort out counterfeit products; (ii) set up more stringent inspections of travelers' personal belongings, mail, cargo, etc.; (iii) established a "Council between Brandholders and Enforcement Authorities" to enhance the effectiveness in preventing the uninhibited flow of counterfeit products; and (iv) enforced laws and ordinances related to the regulation of counterfeit products.

New Guidelines on Investigation Procedures and Provisional Measures Regarding Unfair International Trade Practices

The Korean Trade Commission ("KTC"), an investigative body under the Ministry of Commerce, Industry and Energy, is responsible for investigating unfair international trade practices upon petition or *ex officio*. The KTC has recently amended the Enforcement Decree of the Act on the Investigation of Unfair International Trade Practices and Remedy Against Injury to Industry, which went into effect on February 8, 2006.

The amended act is mainly directed to providing additional guidelines for KTC investigations. According to the new guidelines, prior to initiating any *ex officio* investigation, the KTC must consider any and all information provided by the petitioners (e.g., trademark owner, patentee, etc.), thereby assuring that all intellectual property rights are fully considered in each and every case. In addition, the KTC can now suspend their investigations to await the outcome of related court or administrative actions (e.g., district court actions and/or Intellectual Property Tribunal actions). Furthermore, the KTC may now refer to the decisions of such court or administrative actions when deciding their case. This clearly means that the decisions of the Intellectual Property Tribunal will now have a much greater impact on future KTC decisions.

In addition to clarifying investigative procedures, the amended act also provides new criteria for issuing injunction orders or other provisional measures. Particularly, the provision of the amended act stipulates that petitioners may be required to submit a security deposit to cover any damages or loss, which the respondents may incur due to the provisional measures issued by the KTC, if the petition is later dismissed. The KTC will determine the amount of such deposit on a case-by-case basis.

MINISTRY OF CULTURE AND TOURISM NOW ALLOWS CINEMATOGRAPHIC ORGANIZATIONS TO ENGAGE IN COPYRIGHT TRUST MANAGEMENT BUSINESS

On November 9, 2005, the Ministry of Culture and Tourism ("MOCT") gave its green light to the Association of Korean Movie Producers (the "AKMP") and the Association of Korean Cinematographic Industry (the "AKCI") to engage in copyright trust management business.

Royalty collection for musical works, phonogram and stage performance, both offline and online, has been and is being systematically administered and managed by trust management organizations such as the Korea Music Copyright Association (better known as KOMCA), the Korean Association of Phonogram Producers and the Federation of Korea Art Performers' Organizations. However, in the case of cinematographic works, there was no comparable trust management organization to handle royalty collection for such works, which has become a major issue due to increasingly unauthorized use

and reproduction of cinematographic works particularly over the Internet.

The MOCT's recent entrustment of the royalty collection works to the AKMP and AKCT is expected to achieve effective management of cinematographic works over the Internet and better and systematic management and administration of the rights of public performance of cinematographic works in places such as video rooms.

The AKMP has been entrusted to manage the aspect of the reproduction and transmission rights in relation to the use of cinematographic works on the Internet whereas the AKCI will be responsible for managing public performance rights of cinematographic works on videos, DVDs, etc.

The AKMP plans to collect about 55% of the service fee as a transmission fee. In case of video rooms in Seoul, the AKCI plans to collect KRW 5,000 - 6,000/room per month as the fee for the use of cinematographic works for public performance.

The new trust management system for cinematographic works is expected to help the industry and its players to effectively manage and cope with the ever-increasing problem of Internet piracy as well as provide a better payment system for royalties rightfully due to the movie producers and distributors.

EXPEDITED PROCEEDINGS FOR PATENT, TRADEMARK, DESIGN AND UTILITY MODEL ADMINISTRATIVE ACTIONS IN KOREA

Based on recent amendments to laws governing intellectual property rights in

Korea (i.e., patent, trademark, design and utility model), the Intellectual Property Tribunal (IPT) of the Korean Intellectual Property Office will expedite its review of certain administrative actions from 2006.

An "intensive review procedure" for expedited trials

The IPT reviews certain administrative actions (e.g., invalidation or scope confirmation actions) on an expedited basis. In order to systematically expedite the handling of such actions, the IPT has recently adopted the following "intensive review procedure."

(i) Within 15 days of the filing date, the IPT will complete its review of the formalities of a petition (e.g., petition format, etc.).

(ii) Within 1 month of the filing date, the IPT will forward its first notice to the parties of its decision to review the case on an expedited basis, and require the respondent to submit its response within 30 days of receiving the written notice. Only a single one-month extension of the response deadline will be allowed absent extraordinary circumstances.

(iii) Within 2 months of the filing date, the IPT will review whether the petitioner has proper standing or whether the subject product or process at issue (in a scope confirmation trial) is clearly defined. If any of the above are found to be insufficient, the IPT will request that the petition be amended.

(iv) Within 3 months of the filing date, the IPT will determine whether additional proceedings (including oral hearings) are necessary, and conduct such proceedings.

(v) In principle, the IPT plans to issue a final decision within 6 months of the filing date.

By adopting the above intensive hearing procedure, the IPT is seeking to prevent intentional delays as a defensive tactic and to strengthen its administrative review.

Expanded scope of expedited review

The IPT has expanded the scope of cases to be expedited to all administrative actions (e.g., invalidation or scope confirmation actions) related to a pending infringement action. Thus, such actions will automatically qualify for expedited proceedings. This is in contrast to the previous practice of the IPT allowing expedited proceedings only after a petition had been filed by a party.

Further to the above, all scope confirmation actions will now also be automatically reviewed on an expedited basis, as long as the subject product or process at issue is alleged to be used commercially. The IPT is also planning to further expand the scope of expedited proceedings in the future to include other administrative actions.

RECENT AMENDMENTS TO THE KOREAN PATENT ACT

Amendments were recently made to the Korean Patent Act. The revised provisions took effect on January 1, 2006, and the main features are summarized below.

Translations of priority documents no longer required

Under the new provisions, Korean translations of priority documents need not be submitted unless an examiner or trial examiner of the Korean Intellectual Property Office (KIPO) requests such submission. Thus, it is expected that the costs for filing applications in Korea will substantially decrease in terms of translation fees.

KIPO to be ISA/IPEA for US-PCT applicants

The USPTO has recently announced that US applicants will be able to designate KIPO as the International Search and Examination Authority for their PCT applications.

The designation of KIPO as the International Searching Authority (ISA) and International Preliminary Examination Authority (IPEA) will give substantial benefits in terms of official fees if a PCT application enters the Korean national phase. KIPO has announced that the official fee for an examination request will be reduced by:

(i) 30% if the application is accompanied by either its KIPO Search Report or KIPO Preliminary Examination Report; or

(ii) 70% if the application is accompanied by both its KIPO Search Report and KIPO Preliminary Examination Report.

Thus, designating KIPO as the ISA and/or IPEA will lower the examination request fees as explained above, but will not affect the national stage filing fees in Korea. In addition, US PCT filers can benefit in search and international examination fees by selecting KIPO as the ISA and/or IPEA.

According to KIPO, the International Search Report would be completed within four months from the date of request, and the International Preliminary Examination Report would be completed within 28 months from the priority date.

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