

# Newsletter

KIM & CHANG

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## CONTENTS

1. LOWER REVERSAL RATE OF IPT DECISIONS BY THE PATENT COURT
2. KIPO LAUNCHES ONLINE SERVICE TO EXCHANGE CERTIFIED PRIORITY DOCUMENTS
3. KIPO AND THE USPTO SIGN MEMORANDUM ON COOPERATION FOR PATENT EXAMINATION
4. TRADEMARK OFFICE ACCEPTS BROAD GOODS DESCRIPTIONS
5. KOREAN PATENT COURT DECISIONS HOLDING THAT "MOTHER AND THREE BUNNIES" CHARACTER IS FAMOUS AS A TRADEMARK
6. KOREAN PATENT COURT DECISION HOLDING THAT "TOM & JERRY" CHARACTER IS FAMOUS AS A TRADEMARK

## LOWER REVERSAL RATE OF IPT DECISIONS BY THE PATENT COURT

According to a September 19, 2008 press release by the Intellectual Property Tribunal ("IPT"), the rate of reversal of IPT decisions by the Patent Court has steadily declined over the past two years.

Under Korean patent procedures, the IPT is an administrative tribunal that operates within the Korean Intellectual Property Office ("KIPO") and has original jurisdiction over intellectual property trials including invalidation actions, confirmation-of-scope actions, and appeals of final rejection over applications for patents, trademarks, utility models, and designs. All appeals of IPT decisions are then brought before the Patent Court.

According to the IPT, the reversal rate of IPT decisions by the Patent Court was 28% in 2006 and 23% in 2007. By July 2008, the IPT reported that the reversal rate dropped to 22%. The IPT believes the decline is a direct result of its efforts to provide decisions based upon thorough analysis. Over the past few years, the IPT has instituted several measures aimed at improving the review process, including: (1) introduction of oral hearings and technical presentations into IPT proceedings; (2) establishment of a specialized panel for cross-disciplinary technologies involving mechanics, electronics, and chemistry; (3) encouraging discussions with the Examining Attorney during Appeals of Final Rejections; and (4) providing regular educational programs to newly appointed trial examiners. All of these measures are believed to have impacted reversal rates.

Significantly, the IPT attributes much of its recent success to the oral hearings and technical presentations. The oral hearings and technical presentations provide parties with a forum to directly argue their case in a non-adversarial environment. The open forum results in cleaner and easier to understand arguments and the IPT continues to increase the number of oral hearings and technical presentations. As of July 2008, the IPT has already held over fifteen hundred hearings/presentations - one and a half times more than the hearings/presentations for all of last year.

Clearly, the IPT is sending a message regarding the importance of the hearings/presentations. Therefore, parties should make thorough preparations and take full advantage of this opportunity to make arguments and instruct the IPT on the pertinent points of their case. The lower reversal rate of IPT decisions make it more important than ever to invest adequate time and resources when preparing for IPT proceedings.

## KIPO LAUNCHES ONLINE SERVICE TO EXCHANGE CERTIFIED PRIORITY DOCUMENTS

On October 14, 2008, the Korean Intellectual Property Office ("KIPO") launched a system to exchange certified priority documents between the United States and Korea. This new system allows for certified priority documents to be exchanged online between the United States Patent and Trademark Office ("USPTO") and KIPO.

More importantly, the online exchange service will relieve applicants of the inconvenience of requesting "certified priority documents" and submitting the priority documents to foreign patent offices through mailing services.

The online exchange greatly simplifies current procedures for processing documents and converting them to electronic forms resulting in improved administrative efficiency and reduced costs. According to KIPO, the online exchange service will be available for any patent and utility application claiming priority under the Paris Convention.

In order to take advantage of the new service, the applicant must write the priority application number on the application (as done in the current electronic filing procedure) or submit an application document (in written form) with the priority application number to KIPO. If the U.S. application upon which priority is claimed has not been published, the applicant must submit a form requesting the electronic exchange of priority document to the USPTO.

The head of the Information Coordinating Department at KIPO (Mr. Byung-yeup Kim) indicated that the new service enables electronic exchange of priority documents with the USPTO, European Patent Office, and Japanese Patent Office. In addition, he indicated that KIPO is planning to expand the online priority document exchange service to China soon after it launches the service with the United States.

**NOTE:** The "form" for requesting the electronic exchange of priority document is USPTO Form PTO/SB/39 (authorization to permit access to application by

participating offices). It can be downloaded from the USPTO site <http://www.uspto.gov/web/forms>.

## KIPO AND THE USPTO SIGN MEMORANDUM ON COOPERATION FOR PATENT EXAMINATION

This past September, the Korean Intellectual Property Office ("KIPO") and the United States Patent and Trademark Office ("USPTO") each released statements that announced the signing of a Memorandum of Understanding ("MOU") on Comprehensive Cooperation for Patent Examination. KIPO Commissioner, Dr. Jung-Sik Koh, and USPTO Director, Jon Dudas, signed the MOU during a bilateral meeting in Geneva, Switzerland, on September 23, 2008.

The MOU formalizes the desire to share work and promote cooperation by linking the patent examination systems of both offices. Specific projects include establishing a common search database, developing a standardized patent classification system, launching common programs for examiner education, and encouraging reutilization of prior examination results between offices. KIPO and the USPTO hope the increased cooperation will reduce unnecessary and redundant work at both offices and result in higher quality patents being issued in both Korea and the U.S.

The MOU expands and intensifies the collaboration for patent examination between KIPO and the USPTO. Prior to the MOU, KIPO and the USPTO already agreed on the International Search and Examination Service in 2005 and launched a one-year Patent Prosecution Highway pilot program (PPH) this year. Officials from the two patent offices plan to meet later this year to discuss specific plans for implementing the MOU.

## TRADEMARK OFFICE ACCEPTS BROAD GOODS DESCRIPTIONS

The Trademark Examination Guidelines (the "Guidelines") were recently amended to accept a broader description of goods, in accordance with global standards. The amendment will go into effect on September 16, 2008.

Even though the Korean Intellectual Property Office ("KIPO") adopted the International Classification of Goods and Services in 1998, it maintained its strict particular goods/services specification requirements under which broad or vague descriptions (e.g., class/subclass headings) were not accepted. In order to avoid Office Actions from KIPO, it was necessary to specifically list the goods/services covered by a trademark application on a detailed, item-by-item basis.


In accordance with global standards, KIPO began accepting broad descriptions on January 1, 2007. The first step was KIPO accepting broad descriptions designating similar goods/services in the same class. For instance, subclass headings such as "cosmetics" in Class 3, "pharmaceutical preparations" in Class 5, "stationery" in Class 16, and "clothing for exclusive use in sports," "suits and coats," and "underwear" in Class 25 were now accepted. However, some subclass or class headings were not allowed if the relevant goods/services fell under different "similarity codes" under KIPO practices. The similarity code is a system used by KIPO to divide goods/services into sub-categories deemed similar by KIPO.

The second step on September 16, 2008 was KIPO accepting broad descriptions designating goods/services in the same class, even if the broad descriptions covered goods/services that are not regarded as being similar under KIPO's current practices. Under the new format the class heading "clothing" is now accepted and can cover "clothing for exclusive use in sports" as well as "suits and coats" or "underwear," although "clothing for exclusive use in sports" is not regarded as being similar to general clothing items under KIPO's similarity code. However, all the goods/services covered by a broad description should fall into the same class. Thus "chemical preparations," covering both chemical preparations for industrial purposes in Class 1 and chemical preparations for medical purposes in Class 5, are still not accepted.

The new format will be applied to those applications examined after the effective date of the amendment to the Guidelines, regardless of the application date.

## KOREAN PATENT COURT DECISIONS HOLDING THAT "MOTHER AND THREE BUNNIES" CHARACTER IS FAMOUS AS A TRADEMARK

Kim & Chang represented Frederick Warne & Co. Ltd. (the "Plaintiff"), owner of the IP rights for the "Mother and Three Bunnies" character (the "Cited Mark") in an action in the Korean Patent Court for invalidation of the

 marks (the "Subject Marks") registered by a third party. The Patent Court found that the registrant had a bad faith intent to exploit the fame of the cited mark and ruled in favor of the Plaintiff (Case No. 2006Heo11558, decided on December 13, 2007; Case No. 2007heo 10231 and 2007heo 10255, decided on August 14, 2008).

### Case Background

J.O. Kang, the Registrant-Defendant in the above-referenced cases, filed trademark applications for imitative marks of the cited mark, which had been first created by Beatrix Potter, the world-famous English children's book author/illustrator, when the Plaintiff's local licensees started to commercialize the original "Mother and Three Bunnies" character in Korea in the early 2000's. After obtaining the registrations, the Defendant sent cease and desist letters to several of the licensees whose merchandising products bore the original "Mother and Three Bunnies" character and demanded that those licensees immediately suspend all use of the original character and pay damages.

In response, the Plaintiff brought trademark actions to the Intellectual Property Tribunal of the Korean Intellectual Property Office seeking invalidations of the Defendant's subject marks on the following basis: (1) the established fame of the cited mark as a worldwide trademark, especially in Japan, and (2) the registrant's bad faith intent when registering the subject marks. After a long legal battle, the Patent Court ultimately rendered decisions in favor of the Plaintiff and invalidated the subject marks. The decision became final and conclusive when the Supreme Court dismissed the case without reviewing its merits (Case No. 2008hu149, decided on April 24, 2008) and the Defendant's failure to file an appeal in the subsequent cases.

## Recent Patent Court Decision

Fame of the Cited Mark as a Trademark. In the course of the aforementioned trademark actions, the Plaintiff submitted various evidence materials showing its character merchandising business in the U.K., Japan, and Korea to substantiate the fame of the cited mark. The Defendant made rebuttal arguments that (i) he first created the rabbit characters cited in the subject marks in Korea; (ii) the Plaintiff's use of the cited mark is obvious infringement of the Defendant's registered trademarks and designs related to such characters, and (iii) the goods for which the cited mark is used are dissimilar to the designated goods under trademark registrations for the subject marks.

Even after considering the Defendant's above arguments, the Patent Court held that the Plaintiff's character is a famous trademark in many countries, including Japan, taking into account the volume of circumstantial evidence into consideration: the duration and various types of products for which such character is used, the number of the Plaintiff's licensees, the sales and advertising figures for the Plaintiff's character merchandise incorporating the cited mark, survey results showing the public recognition of the cited mark, and various articles published in foreign countries discussing the PETER RABBIT character.

Bad Faith Intent. Further, the Court also found that the Defendant had filed the subject marks in bad faith, i.e., copying the Plaintiff's character to exploit the fame or cause damage to the Plaintiff or its licensees. The Court's reasoning is as follows:

(i) The Cited Mark is a famous trademark in many countries, including Japan.

(ii) The appearance of the subject marks are substantially similar to the cited mark as they seemed to have been derived from the same motives and ideas, and the designated goods under the trademark registrations for the subject marks can be deemed to be identical/similar, or at least have some economic ties, to the cited mark.

(iii) The subject marks, the creation of which requires a high degree of creativity and originality, could not have been independently created and developed by the Defendant.

(iv) The Defendant filed applications for trademarks incorporating the words "PETER RABBIT," in addition to the "Mother and Three Bunnies" character.

(v) The Plaintiff published a written notice in local newspapers on November 10, 2000, indicating that the Plaintiff owns all the intellectual property rights relating to the PETER RABBIT characters and that anyone who does not have a license or authorization obtained from the Plaintiff cannot use marks incorporating the PETER RABBIT words and characters.

(vi) If the Defendant is allowed to use the subject marks in Korea, it is likely that the Defendant will gain unjust profits and cause damage to the Plaintiff by exploiting the fame of the cited mark.

## Comments

In conclusion, the Court held in the above decision that the cited mark, i.e., "Mother and Three Bunnies" character, is famous as a trademark, and the subject marks were applied for and registered in bad faith. We expect that this decision is likely to be cited in future trademark cases involving other famous character marks as a reference in support of trademark protection in Korea.

## KOREAN PATENT COURT DECISION HOLDING THAT THE "TOM & JERRY" CHARACTER IS A FAMOUS TRADEMARK

Kim & Chang represented Turner Entertainment Co. (the "Plaintiff"), owner of the trademark rights for the "TOM & JERRY" character, in an invalidation action against a Korean company's registration of a "TOM & JERRY Character and word" mark. The Korean Patent Court ruled in favor of the Plaintiff, holding that the registration should be invalidated due to the registrant's bad faith intent to exploit the fame of the TOM & JERRY character, a recognized famous trademark in the U.S. and Japan (Case No. 2007Heo11708; decided June 25, 2008). The Supreme Court upheld the decision by dismissing the Defendant's appeal without reviewing the merits of the case (Case No. 2008hu2626; decided on October 23, 2008).

### Case Background

In the past, the Supreme Court has denied that the TOM & JERRY character had sufficient fame as a trademark, despite being widely known as the title or main characters of the associated cartoon. Accordingly, in 2000, the Supreme Court determined that a Korean individual's



registration of the "TOM & JERRY" trademark should not be invalidated as there was no likelihood of consumer confusion regarding the source thereof (Case No. 98Hu843; decided May 30, 2000).

Subsequent to the above precedent, another Korean company began filing applications for the



"TOM & JERRY" mark ("Subject Mark") in 2005, across numerous goods and services categories. Thereafter, in 2007, the registrant issued cease and desist letters to several Korean licensees merchandising products bearing

the original TOM & JERRY character. The registrant alleged trademark infringement and demanded these licensees immediately suspend all use of the original character.

In response, the Plaintiff sought invalidation of the registrant's Subject Mark by filing an action with the Intellectual Property Tribunal ("IPT") of the Korean Intellectual Property Office, on the following basis: (1) the established fame of the TOM & JERRY Character as a trademark in the U.S., Japan and Korea, and (2) the registrant's bad faith intent in registering the Subject Mark. However, the IPT rejected the first point and dismissed the action. The Plaintiff then appealed to the Patent Court which ultimately rendered a favorable decision for the Plaintiff despite the Supreme Court's earlier precedent.

### Recent Patent Court Decision

#### Fame of the "TOM & JERRY" Character as a Trademark.

On appeal, the Plaintiff submitted various merchandising evidence in the U.S., Japan, and Korea to substantiate the fame of the TOM & JERRY character. The registrant ("Defendant") rebutted that (i) the Plaintiff's various versions of the character cannot be recognized as a single source; (ii) the character was used merely as a design, not a source-indicating trademark, and (iii) sales of goods were not substantial (moreover, due to the diverse range of used goods, sales by each product item were very low).

After considering the above, the Patent Court held that the Plaintiff's Character was a famous trademark in the U.S. and Japan, in view of the degree of well-known status, duration, method and mode of use, types of products, and extent of sales. It dismissed the Defendant's arguments as follows:

- (i) The various versions used by the Plaintiff's licensees clearly shared the same basic characteristic shape and appearance and is a basis for judging the well-known status of the Plaintiff's Character.
- (ii) The method and degree of expression among the character versions showed that they function both as a design and source indicator.
- (iii) Further, the extent of sales was not an adequate basis for dismissing the character's fame. Despite the fact that well-known characters -- such as the Plaintiff's character -- can attract or be easily

recognized by consumers, the sales in total or by product item may still be comparatively low. Thus, the sales-based argument was considered insufficient.

Bad Faith Intent. Further, the Court agreed that the Defendant had filed the Subject Mark in bad faith, i.e., as an imitation of the Plaintiff's character to exploit or cause damage to the Plaintiff or its licensees. It reasoned:

- (vii) The Plaintiff had already registered 13 trademarks in Korea for the TOM & JERRY character and/or words, one of which was almost identical to the Subject Mark.
- (viii) The Defendant later filed and registered 50+ marks for Tom and/or Jerry Characters, some of which were identical to the Plaintiff's marks registered in Korea.
- (ix) The licensees in Korea had sold considerable quantities of goods bearing the Plaintiff's character.
- (x) Since December 28, 2007, the Tom and Jerry Story (<http://www.tomandjerry.kr>; the Defendant's representative online seller) posted that "Warner Bros." had granted it a trademark license and it was the worldwide, exclusive manufacturer of TOM & JERRY bedding.
- (xi) Since February 22, 2007, the Defendant demanded that the Plaintiff's local licensees cease use of the TOM & JERRY character due to trademark infringement, while thereafter insisting that these licensees execute license agreements with the Defendant.

## Comments

The above decision enabled the Patent Court to reassess the TOM & JERRY character's fame as a trademark, in turn providing detailed standards of scrutiny for determining the fame of a character. This decision is currently under appeal before the Supreme Court.