Lee International
IP & LAW GROUP

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NewsLetter

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Number of Applications Filed with KIPO Hits All-Time High in 2018

The Korean Intellectual Property Office ("KIPO") announced that a total of 480,245 applications for patent, utility model, design and trademark were filed in 2018. This is a 4.9% increase from the previous year (457,955 applications), and the highest number of applications annually filed with KIPO.

Based on the type of applicant, the highest number of patent applications were filed by the small and medium-sized enterprises (47,947 cases), followed by foreign companies (46,288 cases), individual applicants (41,582 cases), large domestic corporations (34,535 cases), and universities and public research institutes (27,055 cases). Among the large domestic companies, Samsung Electronics filed the highest number of patent applications (5,761 cases), followed by LG Electronics (4,169 cases), Hyundai Motor (2,680 cases) and Korea Electronics and Telecommunications Research Institute (1,892 cases). Among the foreign companies, Qualcomm filed the highest number of patent applications (862 cases), followed by Tokyo Electron (531 cases), Huawei (501 cases) and Canon (487 cases).

For design applications, the individual applicants filed the most design applications (29,820 cases), followed by the small and medium-sized enterprises (21,887 cases), foreign companies (3,816 cases), and large domestic corporations (3,239 cases). Among the large domestic companies, LG Electronics filed the highest number of design applications (675 cases), followed by Samsung Electronics (670 cases), CJ (419 cases), and Hyundai Motor (199 cases). Among the foreign companies, Apple (171 cases) filed the highest number of design applications, followed by Google (92 cases) and Nike (82 cases).

For trademark applications, the individual applicants filed the most design applications (87,277 cases), followed by the small and medium-sized enterprises (60,257 cases) and foreign companies (13,344 cases). Among the large domestic companies, LG Health & Wellness filed the highest number of trademark applications (1,187 cases), followed by Amorepacific (622 cases) and Coupang (536 cases). Among

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the foreign companies, International Swimming Federation in Swiss filed the highest number of trademark applications (136 cases), followed by Sanrio in Japan (136 cases) and Kobayashi Pharmaceutical in Japan (122 cases).

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Korea Introduces Punitive Damages

Korea will introduce punitive damages for a willful infringement of a patent right or a trade secret in 2019.

The revisions to the Korean Patent Act and the Unfair Competition Prevention and Trade Secret Protection Act, including an introduction of punitive damages (*i.e.*, treble damages) and stronger penalties for willful infringement will take effect as of July 9, 2019. The provisions regarding the punitive damages will be applicable to infringements occurring after the effective date of the revised Acts.

According to the revisions, the court can award treble damages to a patentee if an act of an infringer of a patent right, an exclusive license, or a trade secret is determined to be willful and intentional. In calculating the amount of damages, the accused infringer's superior status, willfulness, the duration and frequency of infringing acts, the actual loss or damages caused by the infringement, and/or the financial benefit gained from the infringement will be considered to reinforce the damage relief from the infringer (Articles 128(8) and 128(9) are newly added to the revised Patent Act; and Articles 14(6) and 14(7) are newly added to the Unfair Competition Prevention and Trade Secret Protection Act).

The revised Korean Patent Act also includes a provision to alleviate the patentee's burden of proof in a patent infringement litigation. According to this provision, if a patentee alleges an infringer of a specific act of infringement, the burden of proof shifts to the accused infringer and he/she is required to offer evidence to refute the patentee's allegation of infringement. Further, additional revisions were made to relax the requirements for trade secrets and strengthen the protection scope of the intellectual property rights by increasing the punishment of the potential infringer.

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Collaborative Search Program Launched between Korea and China

Effective as of January 1, 2019, the Korean Intellectual Property Office ("KIPO") and the China National Intellectual Property Administration ("CNIPA") launched the Collaborative Search Program ("CSP"). Under the CSP, if an applicant files corresponding applications in both Korea and China, he/she can request the KIPO and the CNIPA, which will share examination and search results, for preferential examination to expedite examination processing. Korea is the first to launch the CSP with China.

The benefits of the CSP are: (i) improving the quality of patents by sharing examination and search results between the KIPO and the CNIPA, (ii) providing consistency in examination results across the Patent Offices by issuing similar office actions based on common prior art search results, and (iii) expediting allowance through a speedy examination without additional official fees.

On the other hand, the CSP between U.S.A.-Japan has been implemented since August 2015, and the CSP between Korea-U.S.A. has been implemented since September 2015. Under the CSP between Korea and U.S.A., the average examination period is 7.5 months, which is 3.3 months shorter than a normal examination process. Moreover, while the match rate for corresponding KR and US applications, which are not examined under the CSP, is 68.6%, the match rate of the examination results under the CSP is increased by 13.3%. Thus, the applicants could be able to more quickly receive predictable examination results from different Patent Offices. The KIPO announced that it is planning to launch the CSP with Brazil, India and the ASEAN countries, where Korean companies are expected to enter and there are high demands for international patent examination cooperation.

Stretchable Display, Active Patent Application Filing

The number of patent applications related to a 'stretchable display,' which has been receiving the spotlight as the next-generation display followed by foldable and rollable displays, is increasing at the Korean Intellectual Property Office ("KIPO"). In the era of the fourth industrial revolution, the stretchable display

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attracts attention as a futuristic display technology that would be used in various fields, such as a wearable display and a vehicle display. As such, the industry and the research world are taking the lead in stretchable display technology. According to the KIPO, 85 applications for stretchable displays were filed in the past 4 years (2015-2018), which is 1.8 times increased from 48 patent applications in its preceding 4 years (2011-2014).

Unlike foldable or rollable displays, which shape can only be modified in one direction, the stretchable display can be modified in two or more directions and can elastically be modified and then return to its original shape. Since the shape of a stretchable display can be freely modified by increasing or decreasing the size of the screen, it can be used with a wearable device, and thus, is being assessed as having a great application range and market potential.

Among the patent applications for stretchable displays filed with the KIPO over the past 10 years, 95.8% (136 cases) was filed by domestic applicants, and 4.2% (6 cases) was filed by foreign applicants. Samsung Display filed the highest number of patent applications (32 cases), followed by ETRI (16 cases), LG Display (15 cases) and Seoul National University and Sungkyunkwan University (9 cases each). With respect to the main technology field of the applications, the field of the substrate elasticity accounted for the most cases with 49 cases (34.5%) filed, followed by the electrode and wiring elasticity (47 cases), the pixel structure (13 cases), and the elasticity of TFT (thin film transistor) (8 cases).

Supreme Court Decision regarding Scope of Protection for Patents with Extended Patent Term

The Supreme Court rendered a decision reversing an original decision on the patent infringement lawsuit filed by Astellas Pharm Inc. (“Astellas”), a global pharmaceutical company, against Corepharmbio, a Korean pharmaceutical company, and remanded the case to the Patent Court.

Astellas obtained a patent term extension (“PTE”) of the patents related to VESIcare (solifenacin succinate), medicine developed for irritable bladder syndromes, based on the approval of VESIcare. Thereafter, Astellas

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filed a patent infringement lawsuit against Corepharmbio in 2016 when Corepharmbio developed and released salt modified drug A-Care (solifenacin fumarate) before the expiration of the PTE of the VESIcare patent.

The Supreme Court concluded that the scope of protection for patents to which a PTE was conferred is not restricted to the working of products, *i.e.*, licensed products. Further, the Supreme Court held that patent infringement should be determined based on whether the allegedly infringing drug has the same active pharmaceutical ingredients ("API"), which are expected to exhibit a therapeutic effects on a particular disease, treatment results and use as drugs licensed under the Pharmaceutical Affairs Act.

In this regard, the Supreme Court acknowledged that A-Care of Corepharmbio, which includes solifenacin fumarate, is a salt modified drug of the solifenacin succinate in VESIcare. Further, it is determined that (i) solifenacin fumarate and solifenacin succinate have the same therapeutic effects that are produced by a pharmacological activity of an API absorbed into the human body; and (ii) one of ordinary skill in the art could have easily modified succinate into fumarate. As a result, the Supreme Court held that A-Care of Corepharmbio is within the scope of the patents related to VESIcare, to which a PTE was conferred (Supreme Court Case No. 2017 Da 245798 issued on January 17, 2019).

Prior to the Supreme Court decision above, the scope of patent rights whose patent term was extended has been narrowly interpreted as being restricted only to the licensed products. However, in view of this Supreme Court decision, the generic companies would have to inevitably modify their existing strategies of avoiding infringement of the original patents through a salt modification and making an earlier market entry before the PTEs of the original patents are expired.

Patient Group Recognized as Element of Medical Use Invention

According to the revised Korean Patent Examination Guidelines, which became effective as of March 18, 2019, a patient group, who responds more effectively to a particular drug, can be recognized as an element of a medical use invention.

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Conventionally in Korea, only an active ingredient and a medical use were considered to constitute a medical use invention. An administration method, an administration dosage, patient group, and pharmacological mechanism were not recognized as an element of a medical use invention. In 2015, by the Supreme Court in *en banc* decision (Supreme Court Case No. 2014 Hu 768), the Examination Guidelines were once revised to recognize the administration method and the administration dosage as an element of a medical use invention, and a medicament defining the new administration method and dosage can be patentable if a remarkable effect is proven to be obtained by the defined administration method and dosage characterized in the medical use invention.

According to the revised Examination Guidelines, even with medicaments having the same active ingredient, if the effect is remarkably significant depending on a particular patient group, the medicament defining the particular patient group can be patentable. For example, if a drug A exhibits some side effects in the patients with a particular gene, but if remarkable therapeutic effects of the drug A are shown in the patients without the particular gene, a medical use invention defining "the patients without the gene" could be patentable. In addition, if a remarkable therapeutic effect is found with respect to a particular patient group by the big data analysis of genome information, a medical use invention defining the patient group could be patentable.

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Revision of the Korean Trademark Examination Guidelines

The Korean Trademark Examination Guidelines have recently been revised, and the new guidelines took effect on January 1, 2019.

1. Introductions of a standard for protecting fictional characters and character names

The revised Examination Guidelines established relevant examination standards to strengthen the examination of trademark application, which imitate characters and character names.

According to the revised Examination Guidelines, if a trademark imitating a well-known fictional character or its name designates goods such as clothing, shoes, caps, stationeries, and toys, which are closely related to character merchandising, the trademark will be considered as likely to cause confusion or misunderstanding as to the source of the goods to general consumers, and thus, cannot be registered under Article 34(1)(xii) of the Korean Trademark Act.

Further, an application for a trademark imitating a fictional character or its name that is not well-known but recognized as a source indicator of a specific person's goods is deemed to have been filed in bad faith, even if the goods of the conflicting parties are not closely related commercially, and thus, cannot be registered under Article 34(1)(xiii) of the Korean Trademark Act.

Furthermore, a trademark containing the caricature and the likes of a prominent person without an authorization therefrom is deemed to be an violation of public order and an unauthorized use of a prominent person's portrait, and thus, cannot be registered under Article 34(1)(iv) or 34(1)(vi) of the Korean Trademark Act.

2. Supplement to standard for determining distinctiveness

According to the revised Examination Guidelines, if a trademark consists of a term, such as "YOLO" and "K-POP," which is being used or likely used on various goods or fields and should not be given an exclusive right to a specific person for public interest, such trademark is deemed to lack distinctiveness and thus, cannot be registered.

Additionally, if a trademark consisting of a term, such as "Blockchain," which the general consumers will recognize as

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having a specific meaning rather than the meaning of the trademark, is deemed to lack distinctiveness, and thus, cannot be registered.

Revision of the Korean Design Examination Guidelines

The Korean Design Examination Guidelines have been revised, and the new guidelines took effect as of January 1, 2019. The revised Examination Guidelines alleviated the design registration requirements and established new standards for examining special designs, such as designs of font types and foods.

1. Relaxed Registration Requirements of designs

- The Korean Intellectual Property Office ("KIPO") previously required for the cross-section of a design of a product to be depicted using only parallel diagonal lines. The KIPO now permits other lines to depict the cross-section of a design of a product.

- According to the revised Examination Guidelines, photographs of a product that is actually sold in the industry and line drawings can be submitted together when a partial design is claimed. The KIPO previously required for either drawings or photographs of designs to be submitted and a combination of drawings and photographs was not permitted.

- The title of a design can now be generally accepted if it indicates substantially the same product as depicted in the drawings in a design application.

- The revised Examination Guidelines have been established for determining whether the design in a design application is identical to the design in a priority design application for the purpose of examining the priority claim to an earlier design application that has defect in the drawings.

- It is now permitted to add an explanation for the broken lines in the Description of Design section if it is unclear whether the broken lines form a part of a design.

2. New guidelines for examining designs of font types and foods

- The revised Examination Guidelines for examining designs of font types have been established. These guidelines provide the criteria for drafting drawings for designs of font types in multiple languages other than those in the English and Japanese languages. The guidelines also clarify

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requirements for registering various font types, including dynamic font types and dingbat font types.

– The revised Examination Guidelines for examining designs of foods have been established. Designs of foods can now be registered if it is possible to repeatedly reproduce the foods and maintain the same until the final sale of the foods. These guidelines provide the criteria of examining designs of foods in terms of industrial applicability, novelty, and product applicability.

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Court Upheld a Ruling on Imprisonment of Trademark Infringer and Accomplice

Korean citizen A has directly manufactured about 40,000 counterfeit clothes and attached the brand name of 'Champion' to them in China from November 2015 to early this year. Since 2015, A has been importing counterfeit clothes to Korea and selling them on various online shopping malls including social commerce websites. Meanwhile, another Korean citizen B, has been helping A at A's request when A arranged a local factory for manufacturing of the counterfeit clothes in China.

'Champion' is an official trademark registered by HBI Branded Apparel Enterprises LLC with the Korean Intellectual Property Office and is an overseas apparel brand which is sold in domestic outlets and department stores. On the trademark infringement lawsuit filed by HBI Branded Apparel Enterprises LLC, the Supreme Court has upheld the decision of the lower court, which sentenced A to 1 year and 2 months of imprisonment while sentencing B, an accomplice of A, to 8 months of imprisonment with a suspension of execution for 8 months as a punishment for violating the Trademark Act.

The Trademark Act stipulates that any infringement of a trademark right or exclusive license of others shall be punished by imprisonment for no more than 7 years and/or a fine of up to KRW 100 million. Unlike infringement of a patent right, infringement of any trademark right does not require an accusation by a victim as it is considered to be a crime which undermines public trust. Recently in Korea, local courts are increasingly strengthening the level of punishment on infringement of a trademark. In particular, above ruling by the Supreme Court which sentenced

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imprisonment even to the accomplice is considered to be a firm determination by the court to protect the rights of trademark holders while preventing the confusion by the customers and maintaining trust in the market.

Supreme Court's First Time Permission for Executing Dutch Commercial Arbitration Board's Award Ordering Indirect Enforcement of Patent Transfer

Euro Apex B.V. or Apex, a Dutch company, ("Company E") and Korea's Shinhan Apex Co., Ltd. ("Company S") have signed a license agreement in 1993 to provide the know-hows of Company E to Company S. However, Company S filed a patent application for a plate-type heat exchanger and a production method of electro thermal assembly for heat exchanger with the Indian Patent Office in October 2008. As such, Company E has requested for arbitral summary proceedings to Netherlands Arbitration Institute ("NAI") arguing that filing a patent application was a violation of the license agreement.

In December 2011, NAI has rendered an arbitral award which included an order that Company S should transfer its Indian patents to Company E, and in case of a default of such transfer, Company S should pay to Company E 5,000 Euros per day. In 2012, Company E filed a recognition of foreign country judgement to a Korean court to have NAI award executed.

In the trial of the Korean court, the key issue was whether an overseas arbitral award ordering indirect enforcement of patent transfer which had not been permitted in Korea was domestically enforceable. In this case, the Supreme Court has permitted the execution of the indirect enforcement of patent transfer by stating that "the Koreans Civil Execution Act does not allow indirect enforcement of patent transfer. However, since indirect enforcement induces a voluntary expression of one's intention, it would unlikely to cause any violation of personal rights. Further, the stability of international trade order must be considered in interpreting the execution of the judgement. Therefore, the payment for the indirect enforcement judgement cannot be considered to be serious enough to reject the execution of the arbitration award." (Supreme Court Case No. 2016 Da 18753 rendered on November 30, 2018).

In order to domestically execute any judgment or arbitral award obtained outside Korea, the party of such judgment

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should make a request for execution of the judgement to the court. Nevertheless, the court may dismiss such request if such overseas-obtained judgment fails to meet particular requirements such as contrary to public order and good morals of Korea. Regarding the patent transfer, Korean law only allows the prevailing party to directly transfer the patent right through an applicable judgment while not permitting the prevailing party to indirectly transfer the patent right. However, it appears that the Supreme Court would allow an indirect enforcement of patent transfer, which is not a method permitted under the Korean Civil Execution Act, if such enforcement would unlikely cause a violation of personal rights and promote the stability of international trade order.

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Lee International Named Leading Law Firm in 4 Practice Areas by Legal 500 Asia Pacific 2019

Legal 500 Asia Pacific, a directory of the most highly regarded law firms and practitioners in the region, has selected Lee International as a recommended firm in four key practice areas:

- Intellectual Property
- Corporate and M&A
- Dispute Resolution
- Real Estate

Lee International Selected as an Outstanding Law Firm in 2 Practice Areas by Chambers Asia-Pacific 2019

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Lee International has been selected as an outstanding law firm in the fields of Intellectual Property and International Trade in the Chambers Asia-Pacific 2019 legal directory, which assesses the legal market in the Asian-Pacific region, issued by the global legal media organization, Chambers & Partners.

NEW Member

Jeong-Won Lee (Patent attorney)

Jeong-Won Lee is in charge of patent prosecution and patent litigation in the technical field of pharmaceuticals and biotechnology.

Prior to joining Lee International, Ms. Lee had worked for Hanol IP (2017-2018) and Kims & Lees International Patent and Law Offices (2018). She graduated from Seoul National University with doctor of pharmacy degree in 2017. She is a pharmacist.

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Lee International IP & Law Group was founded in 1961 and currently ranks as one of the largest law firms in Korea.

Lee International retains distinguished legal professionals with expertise in all major areas of the law, with a special focus on intellectual property. Recognized as one of the premier law firms in Korea, Lee International advises clients on a diverse range of high profile matters, including intellectual property disputes and litigation, licensing, commercial litigation, international transactions, real property matters, tax matters, and international trade disputes.

Lee International is a leader in patent prosecution, trademark prosecution, and IP disputes and litigation including patent litigation, trademark litigation, anti-counterfeiting matters, domain name disputes, copyright disputes and trade secret enforcement. Lee International counsels many Fortune 100 and other leading multinational companies on how to successfully maneuver not only through the complexities of Korean law, but also through the unique intricacies of doing business in Korea.

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