

# NewsLetter

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### **Samsung Electronics Builds World Largest Semiconductor Base**

Advancing its planned schedule by a year, Samsung Electronics Co. announced its decision to invest KRW 15.6 trillion to build a state-of-the-art semiconductor production line in Godeok Industrial Complex in Pyeongtaek City, a part of Gyeonggi Province of Korea. The construction will begin during the first half of 2015, and operations are scheduled to begin sometime during the second half of 2017. This new fabrication plant will be used to produce memory semiconductors or system semiconductors.

The upcoming plant will be the single largest semiconductor line in the world in terms of facility investment.

Samsung indicated that the new production line in Pyeongtaek will complete a state-of-the-art semiconductor cluster with the facilities in Giheung and Hwaseong, other cities in Gyeonggi Province. Samsung Electronics, the world's top memory semiconductor maker, is producing memory devices (DRAM and NAND flash) and system semiconductors in Giheung and Hwaseong; system semicon-

ductors in Texas Austin, U.S.A.; and NAND flash in Xian, China.

The Korean government did not spare any effort to provide the necessary administrative support, including the launch of a task force team, for the provision of infrastructure facilities in line with Samsung's earlier investment decision. For the construction of the new semiconductor production line, the Korean government decided to supply electric power from the end of 2016, which is a year earlier than it initially planned, and to actively help to secure a stable supply of water.

Observers note that this investment is a part of Samsung's strategy to capture business opportunities with aggressive investments and to reinforce its power in IT businesses during a time in which it is seeing a reduction in its profits.

### **Samsung Electronics Attempts to Defend Its Profits with Memory Semiconductor**

Samsung Electronics is actively seeking to enhance the profitability of its semiconductor business, capitalizing on the world-best D-RAM and NAND Flash. It appears that the company is attempting to

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find a balance in sales of its main profit growth engine, semiconductor, due to the declining sales of smartphones, its other main profit growth engine.

Samsung Electronics began the mass production of 4Gb DDR3 D-RAM (i.e., a PC D-RAM) in March where the world's first 20 nanometer technology is applied, reigniting the competition in the field of manufacturing process. The company is speeding up for the production efficiency competition by applying the improved nano-processing to the NAND flash, which is another major product of its memory semiconductor devices. In August, the company first introduced a "third generation V-NAND" product where the production efficiency has been increased twice more than the existing product. It is the first time to apply the "3-bit" technology called triple level cell (TLC) to a vertical-structured NAND flash (V-NAND). It is known that the company has recently been adopting profit-oriented strategies in the system semiconductor business where deficits have continued since last year.

Industry analysts anticipate that the sales in the semiconductor business division of Samsung Electronics may increase by at least 50% from the third quarter of this year, and the sales profits in the semicon-

ductor business may surpass the sales profits in the IT mobile (IM) business, which is mainly focused on smartphones.

## Uninterrupted Growth in IP Filings in the 4 Consecutive Years from 2011 to 2014

The number of intellectual property (IP) application filings at the Korean Intellectual Property Office ("KIPO") increased again in 2014 for the fourth consecutive year, if only modestly.

- 「IP Trend in 2014」, First announcement on statistics on filing activity by industry -

### Current State of Filings:

According to statistics announced by KIPO, a total of 434,047 intellectual property applications (including filings pertaining to patents, utility models, trademarks and designs) were filed with the KIPO in 2014. This was an increase of 3,883 applications filed compared to the previous year, which translated to a modest growth of 0.9%. The number of the patent applications and trademark applications increased by 2.8% and 1.7%, respectively, while the number of design applications and utility model applications filed in 2014 decreased by 3.9% and 16.3%, respectively.

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Notably, however, of the 61 industries under review, the tobacco manufacturing industry saw the strongest growth in IP filings (54.1%). The dramatic increase in filings in the tobacco manufacturing industry is attributable to the increase in filings associated with e-cigarettes, which in turn has been caused by the hike in cigarette prices.

## Long-Term Trend:

As Korea recovered from the global financial crisis in 2008 through 2010, the number of patent applications has increased significantly from 2011 to 2013. Although the growth in patent filing activity was slower in 2014, the upward trend persisted to reflect uninterrupted growth in the number of applications filed in the 4 consecutive years from 2011 to 2014.

## International Trend:

The slowdown in filing growth is a global trend, and the IP5 have also seen slower growth in filings. The patent offices of Japan and the United States recorded decreases of 2.1% and 0.7% respectively in patent applications filed in 2014. Further, although the number of patent applications filed with the European Patent Office exceeded 150,000 in 2010, the number of filings each year has since varied within a narrow range and growth in filing activ-

ity has stagnated showing only a modest 1.7% increase. Exceptionally, the patent office of China continues to experience significant year-on-year growth in filings due to the increase in non-resident filings in China (i.e., the patent applications filed with the patent office of China by global corporations).

## By Types of Industrial Applicants:

Based on statistics on patent applications filed by each type of industrial applicant with KIPO in 2014, the number of applications filed by incorporated educational institutions and small-medium companies increased by 15.4% and 7.1%, respectively, and due to research collaborations between businesses and academic institutes as well as efforts to create new businesses to promote a creative economy. In contrast, the number of patent applications filed by public enterprises and large conglomerates decreased by 8.4% and 1.8%, respectively, despite notable increases in R&D investment by the government (KRW 17.7 trillion representing a 5.1% increase) and private institutions (approximately KRW 59.5 trillion representing a 12.7% increase).

Statistics on industrial applicants with a significant number of filings revealed that among large conglomerates, Sam-

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sung Electronics filed 7,574 applications; among enterprises of middle standing, Halla Visteon Climate Control Corporation filed 523 applications; among small-medium-sized companies, NEXDIGM Co., LTD filed 393 applications; among universities, Korea Advanced Institute For Science And Technology (KAIST) filed 1,023 applications; among public research institutes, Korea Electronic Communication Institute filed 2,165 applications. These listed applicants filed the greatest number of applications in their respective categories of industrial applicants.

## By Industry:

KIPO provides statistics on the number of patent applications in each industrial field in addition to statistics on each International Patent Classification. Of the 61 industries under review, patent applications were filed in the industries of computer programming and information services (14,929 applications), general machinery manufacturing discounting office machinery manufacturing (14,526 applications) and communication and broadcasting equipment manufacturing (12,952 applications). (The above-listed industries are mentioned in descending order of the number of filed applications.) Based on statistics on growth in filings for each industry, the industries with the strongest

growth, in descending order of growth rates, are the tobacco manufacturing industry (+ 54.1%) (as noted above), the shipbuilding industry (+ 31.7%) and the detergents and cosmetics manufacturing industry (+ 30.7%).

## Relationship Between Patentee and Licensee After a Decision to Invalidate a Patent

### Supreme Court Case Nos. 2012 Da 42666 and 2012 Da 42673

#### 1. Summary

Article 133(3) of the Korean Patent Act provides that “where a trial decision invalidating a patent has become final and conclusive, the patent right shall be deemed never to have existed.” There have been different opinions as to whether a license agreement that was entered into before a trial decision invalidating a patent is issued should be deemed never to have existed and thereby should also be invalidated. Recently, a panel the Korean Supreme Court rendered a noteworthy decision addressing this issue.

The Supreme Court ruled that where a trial decision invalidating a patent is is-

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sued, a license agreement signed before such decision will not be deemed to have never existed from the beginning but will be deemed to have become impracticable, which may be a cause of cancelation of the agreement when the trial decision becomes final and conclusive.

However, this ruling is not an en banc decision and is therefore not necessarily the final word on the treatment of the license agreement as a consequence of the invalidation of the patent.

The licensee argued that the licensor/patentee should be liable to pay back the royalties received based on an invalidated patent as unfair profits, since once a trial decision invalidating a patent becomes final and conclusive, the patent rights are deemed never to have existed pursuant to Article 133(3) of the Patent Act.

The Court ruled that where a patentee has signed a license agreement before such invalidating decision, unless the patent subject to the license agreement is impracticable the license agreement will not be deemed to have been originally impracticable from the time the agreement was signed. Instead, the license agreement will be deemed to have become impracticable from the time the invalidating decision be-

came final and conclusive.

Thus, the patentee will not be liable to return the royalties, which were received from a licensee in accordance with the license agreement during the period in which the license agreement was effective and before the invalidation of the patent, to the licensee as unfair profits, unless the license agreement was originally impossible to perform or there is a circumstance to invalidate the license agreement itself.

The Court also rejected the licensee's argument that it should be permitted to cancel the license agreement claiming that it was an error to sign the agreement. Unless there are such circumstances that the validity of the patent was indicated as a motivation of the agreement in the license agreement and such validity constitutes an important basis of any legal actions that may be brought by the licensee, the licensee cannot cancel the license agreement claiming that it was an error to sign the agreement.

## 2015 Patent Act Revisions in Korea

International applicants should note that the revised Patent Act became effective in Korea as of January 1, 2015. A few noteworthy revisions are set forth below:

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## 1) Korean Patent Applications with Idea Disclosure or English Specification to Secure Filing Date

- Starting January 2015, an applicant can submit the specification, claims and drawings in English when filing a Korean patent application in order to secure an effective filing date for the Korean patent application. A Korean translation of the specification, claims and drawings must be submitted within 14 months after the earliest priority date.
- Patent applications may be filed simply with “idea description data” consisting of theses published in Korean or foreign journals or research notes, without complex restrictions as to the filing format. The specification can be drafted in English, which allows English theses to be filed directly, thereby making it possible to obtain an earlier filing date than previously. A specification in the prescribed format in the Korean language must also be filed within 14 months from the earliest priority date.

## 2) Amendment to Specification and Correction of Mistranslations within the Scope of Specification in a Foreign Language (an original-oriented approach)

- Under the revised Patent Act, amendments to the specification of a Korean national phase application or a Korean patent application filed in English can be made within the scope of a Patent Cooperation Treaty (PCT) application or original application in English.
- An applicant will be allowed to correct translation errors found in the Korean translation of a PCT application entering into national phase or the Korean translation of a Korean patent application filed in English within the scope of the English specification during the prosecution.

## 3) Extension of Time for Filing a Korean Translation of a PCT Patent Application

- Where the applicant’s decision to enter the national phase is delayed, issues have often arisen with the quality of translations due to having insufficient time to prepare a Korean translation (which had to be filed when entering an international patent application into the national phase).
- Under the revised Patent Act, a one-month extension of time to file the Korean translation can be obtained upon request. Such extension must be requested during the one-month period

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prior to 31 months from the earliest priority date. If an extension is requested, a Korean translation of the specification, claims and drawings of the PCT application must be filed within 32 months from the earliest priority date.

## **Regulatory Criteria Provided for Preventing Patent Trolls and Abuse of Standard-Essential Patents**

The Korean Fair Trade Commission (“KFTC”) has revised its Examination Guidelines for Unfair Exercise of Intellectual Property Rights. The revised Examination Guidelines took effect as of December 24, 2014. In promulgating its revised Examination Guidelines, the KFTC is seeking to provide a basis for reasonable enforcement of intellectual property laws against the abuse of patent rights by non-practicing entities (“NPEs”) and standard-essential patent holders. The general examination rules on the exercise of IP rights and the classification of the types of abuse of IP rights have been supplemented. The Guidelines have also been supplemented by an explanation of the relevant markets.

Since most of the revisions to the Examination Guidelines are related to newly

emerging IP issues, the KFTC considered cases in foreign countries, including the United States and the European Union, and gathered opinions from related governmental authorities, such as Korean Intellectual Property Office, the industry, and various IP experts.

The revisions will increase the consistency and predictability in the enforcement of the Fair Trading Act against the abuse of IP rights. It is also expected that the revisions will increase the awareness of businesses with respect to the abuse of IP rights, thereby contributing to the prevention of violation of laws.

The revisions provide a basis for effectively regulating NPEs and global companies to prevent the abuse of patent rights. Thus, the revisions will protect many domestic companies from the abuse of patent rights.

It is also expected that the revisions will help establish a fair trade order in the field of intellectual property and promote a technical innovation in the new growth industry, such as IT.

The KFTC plans to more actively inspect the abusive exercise of patent rights based on the revised Examination Guidelines.

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Some of the major revisions in the revised Examination Guidelines are as follows:

## A. Revisions Related to Non-Practicing Entities (“NPEs”)

### 1. Definition of NPE:

An NPE is defined as an entity that creates revenues from patent assets by exercising patent rights against a person who works a patent, without doing any acts of manufacturing a product using a patented technology or selling such product or providing services using the patented technology

### 2. Examples of five types of abusive acts of NPE:

#### (1) Imposition of Excessive Royalties

Act of imposing royalties that are extremely unreasonable in view of common trade practices

- An NPE, which does not manufacture products, generally has a motivation or tendency to impose excessive royalties. Thus, an NPE’s imposition of royalties would more likely be considered an unfair abusive act than other patent holders’ imposition of royalties.

- Criteria for determining the reasonableness of royalties are provided, including:

- objective technical value of a patent
- royalty received from a licensee
- royalty imposed for a similar patent
- nature and scope of the license agreement for using the patent
- license term
- profitability of the product manufactured using the patent

(2) Refusal of Application of FRAND Terms  
Act of imposing an unreasonable amount of royalties for using a patent acquired by an NPE from an original patent holder, refusing the application of Fair, Reasonable And Non-Discriminatory (FRAND) terms that were applicable to the original patent holder

#### (3) Unfair Agreement

Agreement between businesses that have formed a consortium to establish an NPE to refuse grant of a license to non-participants in the consortium or to grant a license to non-participants only under discriminatory terms

#### (4) Unfair Patent Lawsuit and Threat to File Lawsuit

Act of filing a patent lawsuit or sending a warning notice on patent infringement using deceptive behavior, such as concealment, omission or misleading disclosure of information.

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## (5) Privateer Act

A patent holder's act of transferring its patent rights to an NPE and inducing the NPE to do the acts referred to in (1) or (2)

## B. Revisions Related to Standard-Essential Patents ("SEP")

### 1. Definition of SEP:

An SEP means a patent granted on a standard-essential technology for which a license must be obtained to manufacture a product or provide services utilizing the standard-essential technology.

### 2. Provisions regarding injunction requested by an SEP holder:

The request for an injunction to ban the manufacture, use, sale or importation of a product infringing a patent is a more aggressive move than a damage claim, which only seeks monetary compensation.

- If an SEP holder that has promised to grant a license under FRAND terms files a request for injunction against a willing licensee that wishes to obtain a license, such request may be an abuse of patent rights.
- An SEP holder's act of bringing an action for injunction against a willing licensee without having any faithful consultation

to grant a license will likely be considered an unfair act.

- The following criteria for determining whether an SEP has faithfully consulted with a willing licensee are provided, including the following:
  - Where SEP has formally proposed a consultation, whether the consultation continued for a reasonable period of time; whether the terms or conditions for a license proposed by SEP are reasonable and non-discriminatory; whether arbitration was sought when the consultation ran into difficulties.
  - A request for injunction will likely not be considered an unfair act in the following cases:
    - Where it is determined that the prospective licensee has no intention to obtain a license, for example, because it has refused to follow a decision rendered by a court or an arbitral institution; or where it would likely be difficult to claim patent infringement damages for reasons, such as bankruptcy of the willing licensee; etc.

### 3. New types of abusive acts of SEP holders:

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Acts of avoiding or circumventing grant of a license under FRAND terms or unfairly restricting the licensee's exercise of patent rights are additionally indicated as abusive acts of SEP holders

## C. Revisions to General Examination Rules on the Exercise of IP Rights

General examination rules on the exercise of IP rights are supplemented or added:

(1) Criteria for determining the fair exercise of IP rights to which the Fair Trading Act does not apply are further clarified.

- Exercise of IP rights that substantially goes against the essential purpose of the intellectual property system is not a fair exercise of rights.

- Whether an IP right is being fairly exercised in a particular case should be determined in the context of all of the related laws and regulations, including the Patent Act, the content of the IP right in question, and the influence of the exercise of the IP right on the market.

(2) The focus of the Examination Guidelines has changed from unfair trade practices to abuse of market dominant position.

- Where a single business exercises its IP rights, the Examination Guidelines can be applied only if the business has a market dominant position.

- Whether an exercise of IP rights constitutes an unfair trading practice should be determined based on the KFTC's "Examination Guidelines for Unfair Trading Practices."

(3) The relationship between IP rights and market dominant power and the pro-competitive effect of the exercise of IP rights are specified.

- Holding an IP right does not directly mean having a market dominant power. Market dominant power is determined in the light of overall factors, such as influence of the technology, existence of replacement technology, and competitive circumstances of the market.

- The exercise of IP rights may have pro-competitive effects in the reduction of manufacturing costs, development of new products, promotion of technical innovation, and increase of investment in research and development.

(4) "Innovation market" is added to the relevant markets in which IP rights are exercised.

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- An “innovation market” means a market related to R&D activities for developing a new product or process or for improving an existing product or process. Where an exercise of IP rights affects the competition for developing a new or improved product or process, an innovation market\*, in addition to the product market and the technology market, may be created.

## D. Revisions to Types of Abusive Exercise of IP rights

(1) CTypes of violation of laws are provided in the order from the acquisition of a patent to the exercise of patent rights (such as a lawsuit and a license).

The following sets out the additions in the Revised Examination Guidelines to the prior Examination Guidelines as regards Types of Abusive Exercise of IP Rights:

Prior Examination Guidelines	Revised Examination Guidelines
1. General License Grant a. Compensation for License Grant b. Refusal of License Grant c. Limitation of Scope of License d. Imposition of Unfair Terms in License Grant 2. Patent Pool and Mutual License Grant a. Patent Pool b. Mutual License Grant	1. Acquisition of Patent a. Assignment of Patent Corresponding to Major Part of Sales b. Grant-back* 2. Exercise of Patent Rights Through Lawsuit** 3. General License Grant a. Compensation for License Grant b. Refusal of License Grant

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| 3. Exercise of Patent Rights in Relation to Technology Standards<br>4. Abuse of Patent Lawsuits<br>5. Unfair Agreement during Patent Dispute<br>6. Assignment of Patent Rights Corresponding to Major Part of Sales | c. Limitation of Scope of License<br>d. Imposition of Unfair Terms in License Grant<br>4. Patent Pool and Mutual License Grant<br>a. Patent Pool<br>b. Mutual License Grant<br>5. Exercise of Patent Rights in Relation to Standard-Essential Technology<br>a. General Exercise of Patent Rights Related to Standard-Essential Technology<br>b. Request for Injunction by SEP Holder<br>6. Agreement during Patent Dispute<br>7. Exercise of Patent Rights by NPE |
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\* A “grant-back clause” in a license obliges the licensee to transfer or license any improvements made to a licensed technology back to the original technology licensor. The criteria for determining a violation of laws in the acquisition of a patent through a grant-back clause include: Whether the grant-back clause is exclusive or non-exclusive, the duration of the grant-back clause, whether the royalties for using the grant-back improvements are free or not, etc.

\*\* The additional criteria for determining a violation of laws in the exercise of patent rights through a lawsuit are supplemented. Where a patent holder files a patent infringement action based on its patent acquired in a deceptive manner or with a malicious intent to hinder business activities of a third party, such act of the patent holder will likely be considered an abusive act.

(2) Coercing a licensee to purchase multiple patents, including unnecessary patent(s), through package licensing

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(i.e., licensing of multiple patents in a single license or in a group of related licenses) constitutes a tying arrangement.

## **Prior Review of Draft Amendments to Patent Applications**

Based on its Examination Guidelines as revised on December 31, 2014, the Korean Intellectual Property Office (“KIPO”) will initiate a prior review procedure for the discussion of draft amendments to patent applications prior to formal submission of the amendments.

After an Office Action is issued, the prior review procedure allows the patent applicant to have an interview with the examiner to discuss how to amend its patent application prior to submission of a final version of amendment in response to the Office Action. The prior review helps to clarify the issues and increases the chances for accurate examination and allowance of the patent.

The applicant can request review of a draft amendment to a patent application no later than one month prior to the due date for filing the amendment in response to the Office Action. When requesting the

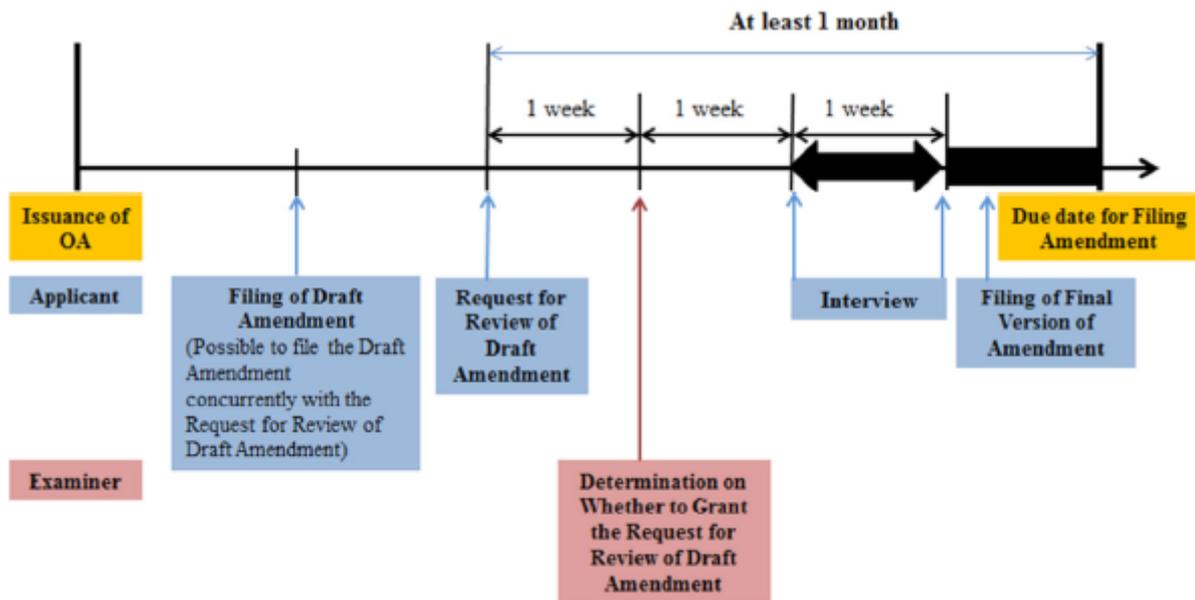
review of draft amendment, taking into account the time required for the applicant to prepare a technical explanation and for the examiner to review the draft amendment, the applicant should indicate a desired interview time, as well as a desired interview date selected from a period between two weeks and three weeks (an allowable period for interview) from the date the request for review of draft amendment was filed.

In response to the request for review of draft amendment, the examiner should grant or reject such request within seven days from the request date.

During the interview, the examiner may provide comments on whether the grounds for rejection in the Office Action can be overcome by the filed draft amendment, and the applicant and the examiner may discuss how to amend the application to enhance the chances of gaining allowance.

After the interview, the applicant will prepare a final version of amendment reflecting the examiner’s comments.

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## Revisions to Patent Act

On January 28, 2015, a revision to the Patent Act regarding the 12-month novelty grace period and the filing of a divisional application was promulgated. The revision will become effective on July 29, 2015 (six months after the date of promulgation thereof). A summary of the revisions is set forth below.

### 1. Relaxed Requirements to Claim Benefit of 12-Month Novelty Grace Period (Addition of Article 30(3) in the revised Patent Act)

In Korea, if a patent application for an invention is filed within 12 months from the date on which the invention was disclosed by the inventor or his/her successor in title, the application is deemed not to have

been publicly known, and thus, not to lack novelty.

In order to take advantage of the 12-month novelty grace period, according to the pre-revision Patent Act, the applicant must indicate its intention to do so in writing at the time of filing the application and submit supporting documents therefor within 30 days from the filing date.

Once the revised Patent Act comes into effect on July 29, 2015, even if the applicant has not claimed the benefit of the 12-month novelty grace period at the time of filing the application, the applicant still may claim benefit of the grace period in writing and/or submit supporting documents therefor (i) within the time frame for filing an amendment, or (ii) from the

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date of receipt of a notice of allowance until the earlier of three months thereafter or the registration of a patent.

## **2. Divisional Application Can Be Filed After Notice of Allowance (Addition of Article 52(1)(iii) in the revised Patent Act)**

Under the pre-revision Patent Act, a divisional application cannot be filed after a notice of allowance is issued and can only be filed within the following time frames:

- i) at any time prior to the issuance of a first Office Action;
- ii) during the time period for responding to an Office Action, if any; and
- iii) within 30 days from the date a Final Rejection is issued.

According to the revised Patent Act, a divisional application can be filed after the issuance of a notice of allowance. Specifically, a divisional application can be filed from the date of receipt of a notice of allowance until the earlier of three months thereafter or the registration of a patent.

This revision is applicable to patent applications for which a certified copy of a notice of allowance is received on or after July 29, 2015.

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### **Patent Applications for IoT Has Increased 7 Times for Last 4 Years**

The number of patent applications related to the “Internet of Things” has increased dramatically.

The Internet of Things (IoT) refers to the computer communication network sharing information of different physical objects or “things” embedded with electronics, software, sensors and connectivity. IoT has come to the fore as the representative of IT convergence technology, as patent applications related to the IoT have been increasing dramatically. According to the Korean Intellectual Property Office (KIPO), the number of patent applications for IoT technology has increased nearly seven-fold over the last four years, increasing from 33 cases in 2009 to 229 cases in 2013. This phenomenon is a result of the development of international standards for the IoT technology and the Korean government’s active promotion of the IoT industry.

For technological fields, patent applications relating to the network control and management technologies between IoT devices including technologies of access

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control, resource allocation, and power reduction occupied the largest portion with 68.0 percent of the total, and patent applications relating to IoT servicing technologies including smart car, healthcare, and smart home technologies, occupied 16.5 percent, following the network control and management technologies between IoT devices.

Large corporations such as KT, Samsung Electronics and LG Electronics filed the most patent applications, constituting 60 percent of the applications. This indicates that large corporations have shifted their attention to the IoT technology in an effort to generate new profits in the stagnating smartphone market. The Korean Electronics and Telecommunications Research Institute (ETRI) and local research institutions also have been active, with their applications constituting 22.3 percent of the total.

## **LG Electronics Shares Patents with Google**

LG Electronics announced that it had concluded a cross-licensing contract of patents with Google in comprehensive business and technological fields. This contract is a follow-up measure of a strategic affiliation concluded in 2006 target-

ing mobile services. The companies will share not only the existing patents, but also patents to be developed in the next ten years.

With the contract, LG Electronics anticipates that it will be able to utilize Google's patents on Android, a smartphone operating system (OS), data processing, communications and information security in its business areas, such as smartphone, tablet PC, wearable smart devices and Internet of things (IoT). As for Google, the industry forecasts that it will be able to strengthen its hardware business and reinforce the position of its Android OS in the mobile device market.

Prior to this, LG Electronics had concluded patent sharing contracts with Sony in 2011 and with LG Innotek and Osram in 2012. Its continuing efforts on the various patent sharing contracts will be an opportunity for the company to reduce the burden of patent suits in developing the next-generation businesses.

## **LED Lighting Products to Be Opened to Sale by Conglomerates**

The Korean LED lighting industry has declined due to the Korean government's

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restrictions to the sale of the LED lighting products by large conglomerates, and products of foreign companies have flooded the domestic market. Effective as of January 29, 2015, LED lighting products will be excluded from the list of products that are restricted to sale only by small and middle-sized companies (SMEs). Large conglomerates, which were previously allowed to sell only a few types of LED lighting products such as LED bulbs, can now sell all types of LED lighting products including streetlights and fluorescent lights.

Since the request by the LED lighting industry in July 2013 for revising the list of products that are restricted to sale by SMEs, approximately 20 meetings have been held. The members of the Korean Commission for Corporate Partnership[, an industry group made up of both conglomerates and SMEs] agreed to exclude LED lighting products from the list of products that are restricted to sale by SMEs after determining that the losses outweighed the gains from the restrictions in the LED lighting products market. The government has since been under heavy criticism as the imposition of restrictions on the sale of LED lighting products by large conglomerates to protect small and middle-sized LED lighting companies has

weakened the competitiveness of the domestic LED lighting industry and only has helped foreign brands to increase their market shares in Korea.

## Trends for Patent Filings by Pharmaceutical Companies

The number of patent applications filed in Korea by the top 10 Korean pharmaceutical companies over the last ten years account for 18.4% of those filed by top 10 international pharmaceutical firms.

A report released by the Korean Intellectual Property Office on October 15, 2104 indicates that while the top 10 global pharmaceutical companies filed 6,968 patent applications, the top 10 Korean firms had 1,283 filings. The relevant period was from 2004 to 2013.

Specifically, Novartis filed 1,235 patent applications, ranking first, followed by Roche, AstraZeneca, Sanofi, Merck, Bayer, Merck, GlaxoSmithKline, Boehringer Ingelheim, Pfizer and Janssen. Among Korean pharmaceutical companies, Hanmi Pharmaceutical ranks first with 289 patent applications, followed by SK Chemicals, LG Life Sciences, HanAll BioPharma, Daewoong Pharmaceutical and Yuhan.

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Ranking	Global Pharmaceutical Companies	Number of Patent Applications
1	Novartis	1,235
2	Roche	989
3	AstraZeneca	743
4	Sanofi	728
5	Merck	697
6	Bayer	650
7	GlaxoSmithKline	497
8	Boehringer Ingelheim	480
9	Pfizer	479
10	Janssen	470
Total	-	6,968

Ranking	Korean Pharmaceutical Companies	Number of Patent Applications
1	Hanmi Pharmaceutical	289
2	SK Chemicals	178
3	LG Life Sciences	166
4	HANALL BioPharma	127
5	Daewoong Pharmaceutical	96
6	Yuhan	95
7	CJ	91
8	KT&G Life Sciences	88
9	DONG-A PHARM	87
10	Chong Kun Dang Holdings	66
Total	-	1,283

▲Top 10 Global and Korean Pharmaceutical Companies in the Number of Patent Applications from 2004 to 2013. (source: KIPO)

Furthermore, of the pharmaceutical pat-

ent filings in Korea for the same period, the patent applications filed by Korean companies account for 41%, which is relatively low compared to the 76.8% of all Korean patent applications. The same trend also appears in patent term extension applications filed for protection of patents directed to fundamental technologies: 89% of the patent term extension applications for such patents were filed by foreigners from 1987 to June, 2014.

## Patent-Approval Linkage System Is Implemented as of March 15, 2015

On March 3, 2015, the Korean National Assembly passed a revised bill to amend the Pharmaceutical Affairs Act to implement the Patent-Approval Linkage System, which was introduced by the Korea-US Free Trade Agreement. Following the passing of the bill, the Patent-Approval Linkage System was fully implemented as of March 15, 2015.

Pursuant to the revised Pharmaceutical Affairs Act, the generic stay period is nine months and the period of first generic exclusivity is nine months.

Under the Patent-Approval Linkage System, first generic exclusivity is conferred

# TRADEMARKS

for a generic drug that is identical to the original drug, or a generic drug having the same active ingredients as those of the original drug. A combination drug is not entitled to first generic exclusivity.

Further, under the revised Pharmaceutical Affairs Act, the applicant for listing a patent in the Green List must pay an annual listing fee, which is KRW 5,000 (approximately USD 5) per patent claim, within three months from the date on which a patent for a drug is listed in the Green List. In this regard, patents listed prior to the effectiveness of the revised Pharmaceutical Affairs Act are regarded to be listed on March 15, 2015. Therefore, the applicant for such listing must pay the annual listing fee within three months from March 15, 2015. If the listing fee for a listed patent is not paid by the due date, the patent will be removed from the Green List.

## TRADEMARKS

### **Advice on Filing Form MM6 in Respect of an International Trademark Application that Designates Korea**

In response to a provisional refusal of an international trademark application filed

under the Madrid Agreement Concerning the International Registration of Marks and the Protocol Relating to the Madrid Agreement, the applicant of the relevant trademark may amend or delete the designated goods and/or services associated therewith by filing the form MM6 directly with the World Intellectual Property Organization (“WIPO”). In this way, the applicant may easily overcome the refusal of its mark if it was on the basis of the unacceptable descriptions of goods and/or services, or on the basis of prior-registered marks or pending applications to register marks identical or confusingly similar to the mark with respect to some of the designated goods and/or services associated therewith.

It typically takes three to four months (sometimes even six months) for the Korean Intellectual Property Office (“KIPO”) to receive notification from WIPO that the form MM6 has been filed. Because a response to a provisional refusal should be filed within two months from the issuance of the provisional refusal, it is always possible that the KIPO examiner may issue a final refusal without knowing that the form MM6 has been filed in respect of the refused mark.

If KIPO receives notification from WIPO

# TRADEMARKS

that the form MM6 has been filed after a final refusal was issued, the examiner in charge of the relevant application would have to re-examine the application. In such case, the final refusal would be reversed only if the filing of the form MM6 predates the issuance of the final refusal, and if the ground for refusal has been overcome on the basis of the form MM6.

Under the Korean Trademark Act, an applicant is entitled to file an appeal of the final refusal with the Intellectual Property Tribunal of KIPO within 30 days after the Notice of Final Refusal was issued, not after its receipt thereof. It typically takes two to three weeks for an applicant to receive a Notice of Final Refusal from the date that KIPO forwards it. Thus, if a final refusal was issued despite the filing of the form MM6, the applicant might be unable to find proper measures to respond to the final refusal within the deadline for filing an appeal of the final refusal.

On the basis of the foregoing, it is essential that the applicant for an international trademark appoint Korean counsel for the purpose of monitoring the status of the application even if the form MM6 was filed to overcome the refusal thereof.

## Determining Distinctiveness of Three Dimensional Trademarks Combined with Words

The Korean Patent Court recently held that distinctive word elements should be considered in determining whether three-dimensional trademarks that consist of non-distinctive three-dimensional shapes combined with distinctive word elements are distinctive (Decision No. 2014-heo-3286).

The appellant in the case previously filed an application to register the three-dimensional mark

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” containing the word element “Werther’s Original” (“Subject Mark”) in connection with the goods “confectionery, chocolate candy,” etc. in International Class 30. The Korean Intellectual

Property Office (“KIPO”) and the Intellectual Property Tribunal (“IPT”) of KIPO concluded that the Subject Mark could not be registered pursuant to Article 6(1) (iii) the Korean Trademark Act, because (1) it merely depicts a typical shape of the goods associated therewith and, thus, lacks distinctiveness, and (2) the word

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element “Werther’s Original” of the Subject Mark should not be considered in an analysis of whether the Subject Mark is distinctive.

The appellant filed an appeal of the IPT decision with the Korean Patent Court, which held that: (1) a three-dimensional mark can be defined as a combination of a sign, a letter, and/or a figure with a three-dimensional shape under Article 2(1)(i) of the Korean Trademark Act; (2) there is no basis upon which to conclude under the Korean Trademark Act that the determination of whether a three-dimensional mark is distinctive should be made only on the basis of the three-dimensional shape thereof without consideration of any sign, letter, and/or figure combined with the three-dimensional shape; (3) if the three-dimensional shape of a three-dimensional mark that contains a distinctive sign, letter, and/or figure is non-distinctive, there would be no likelihood of confusion as to the source of the goods associated therewith because the three-dimensional shape cannot function as a source indicator; (4) the general public would be easily able to identify the source of the goods on the basis of a distinctive element of three-dimensional marks; (5) though the Korean Trademark Examination Guidelines (“Guidelines”) set out that

the distinctiveness of a three-dimensional mark should be determined only on the basis of whether the three-dimensional shape of the mark merely depicts a typical shape of the goods associated therewith, the Guidelines are merely for the convenience of the examiners and should not be an ultimate basis for determining the distinctiveness of three-dimensional marks; (6) because the word element “Werther’s Original” of the Subject Mark is positioned in the middle of the mark and more prominent than the other elements, the Subject Mark can be perceived by the Korean general public only by the word element; and (7) because the word element “Werther’s Original” of the Subject Mark is distinctive, the Subject Mark is distinctive. The appellee did not file an appeal of the Korean Patent Court decision and therefore the Korean Patent Court decision has become final and irreversible.

Previously, three-dimensional marks could not be registered if the three-dimensional shape of the marks was non-distinctive even if the word elements combined therewith were distinctive in accordance with the Guidelines above. On the basis of this decision of the Korean Patent Court, it is expected that many three-dimensional marks will be registered in Korea.

# GENERAL LAW

## GENERAL LAW

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### **Failure to Utilize a Design Right After Its Registration May Preclude a Preliminary Injunction Against Infringement**

A public subway company and Maoz, an advertising company, entered into an agreement for Maoz to manufacture and supply integrated sales stands to be set up at the subway company's stations and granting Maoz the right to use the integrated sales stands for advertising purposes. Thereafter, Maoz delayed its performance two times, and the subway company terminated the agreement for breach.

By then, Maoz had already applied for a design right for its integrated sales stand and succeeded in registering the design right after the termination. Upon registration of the design right, Maoz demanded compensatory damages for infringement of its design right, arguing that the subway company had infringed its design right for the above integrated sales stand, and as a result, Maoz sought a preliminary injunction against the subway company prohibiting infringement of design right. For this case, the court dismissed the application for a preliminary injunction on a basis of general facts between parties and found

no necessity for a preliminary injunction because the design right owner had not exercised the design right for a considerable period since registration of the design right without any specific reason.

#### **[Lee's comments]**

Although a design right is effectively registered and a design of certain product in issue is similar to a registered design, infringement of the design right is not arguable on a basis of general facts between parties and of no exercise of the design right by a design right owner for considerable period after registration of the design right without any specific reason.





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