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GENERAL TOPICS

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Launch of Special Judicial Police for Patents, Trade Secrets and Designs

The Korean Intellectual Property Office (KIPO) could now conduct investigations in connection with certain violations involving patent and design infringement and trade secrets misappropriation effective as of March 19, 2019 to eradicate IP infringement. Under the current law (“Law on the scope and duties of the Special Judicial Police”), the Special Judicial Police (SJP) within the KIPO has the authority to conduct criminal investigations on patent and design infringement and trade secrets misappropriation.

The SJP is an administrative official who is legally authorized to directly investigate a crime in a certain professional field or the crime occurring in a specific space. The SJP can more efficiently investigate crimes than a general police officer.

The above law significantly expands the scope of the duty of the SJP within the KIPO, who previously was only authorized to conduct criminal investigations in connection with the act of unfair competition and infringement of trademark

and exclusive licenses. Under the current law, the SJP within the KIPO could conduct investigations on infringement of patents and exclusive licenses, acquisition, use and divulgence of a trade secret and infringement of design rights and exclusive licenses, as well as the act of unfair competition and infringement of trademark and exclusive licenses.

The KIPO announced that they would support the growth of innovative companies by conducting prompt and efficient investigations.

KIPO Expands 4IR Technical Fields Eligible for Accelerated Examination

The Korean Intellectual Property Office (KIPO) announced that accelerated examination would be available for patent applications related to broader field of “Fourth Industrial Revolution” (4IR) technologies under the new government policy.

The KIPO had allowed accelerated examination for patent applications in only seven technical fields of 4IR technology such as artificial intelligence (AI), Internet

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of things (IoT), autonomous vehicles, Big Data, 3D printing, cloud computing, and cognitive robotics.

As of June 10, 2019, the technical fields eligible for accelerated examination have been expanded to include nine additional fields of 4IR technologies, including innovative pharmaceuticals, customized healthcare, smart city, new renewable energy, drones, next-generation communication, intelligent semiconductors, advanced materials, and augmented reality (AR)/virtual reality (VR). Accordingly, in Korea, patent applications in 16 fields of 4IR technologies can now benefit from the accelerated examination.

It is expected that the accelerated examination will contribute to an early grant of patents for inventions in a wide variety of 4IR technological fields.

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Sudden Increase in the Number of Ultrasound Fingerprint Recognition Patents

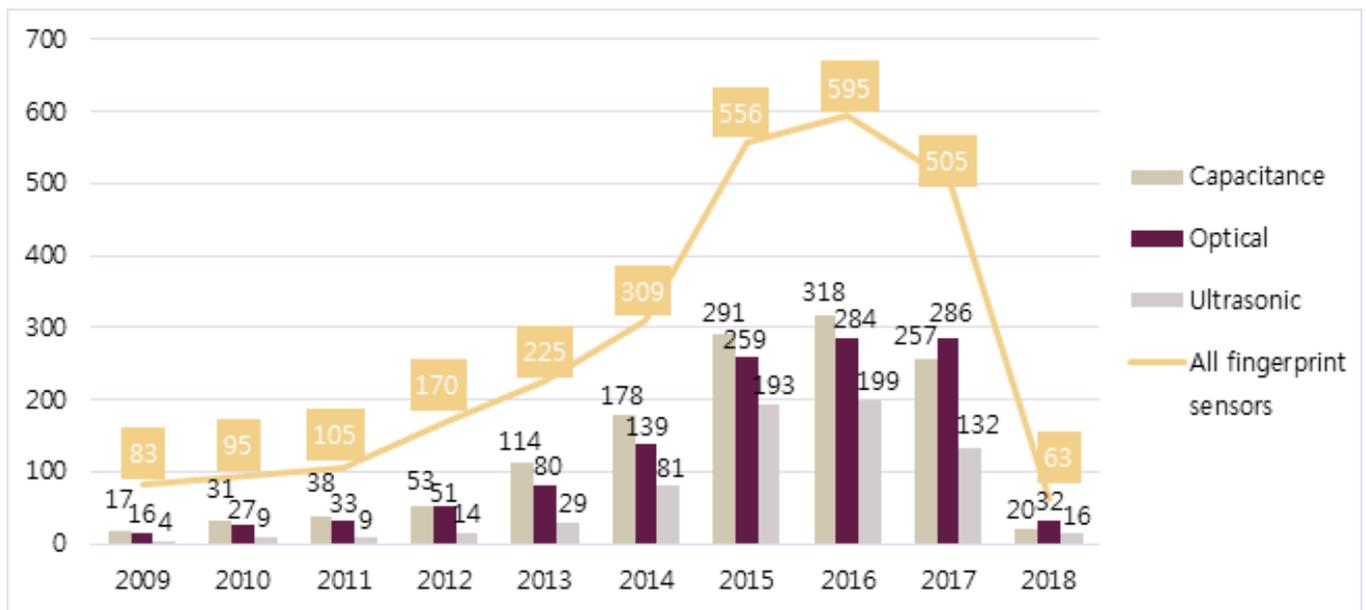
There has been a surge in the number of patent application filings for ultrasound fingerprint recognition technologies since the fingerprint recognition technology was applied to recently released 5G smartphones.

According to the Korean Intellectual Property Office (KIPO), 686 ultrasound fingerprint recognition patent applications were filed within the past 10 years (2009 to 2018), while 621 applications were filed within the past 5 years (2014 to 2018).

Fingerprint recognition technologies are largely divided into capacitive, optical and ultrasonic methods. The number of patent applications filed in the capacitance and optical fingerprint recognition technologies increased 302.6% and 383.1%, respectively, within the past 5 years, with the number of ultrasonic fingerprint recognition patent applications being an increase of 855.3% from 65 applications filed during the previous five years (2009 to 2013).

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< Number of Patent Applications for Fingerprint Recognition (G06K 9, Pattern Recognition Field) >



For the applicant type, companies accounted for 94.31% (647 applications), universities and research institutes accounted for 2.48% (17 applications) and individuals accounted for 3.21% (22 applications), showing that companies filed the most number of patent applications. It is analyzed that companies also apply for patent in other peripheral technologies, which improve the application function and performance for smartphones, associated with the ultrasonic fingerprint recognition technology.

Licensee is an Interested Party who may Request an Invalidation Trial

The Supreme Court of Korea issued an *en*

banc decision that a licensee of a patent has standing to challenge the validity of the licensed patent. The Supreme Court held that a patent licensee is an “interested party” who can file an invalidation trial against the licensed patent (see Supreme Court Case No. 2017 Hu 2819 issued on February 21, 2019).

The Supreme Court had inconsistently interpreted an “interested party” by holding (i) “a mere grant of a license does not automatically disqualify the licensee from being an interested party” (Supreme Court Case No. 79 Hu 75), and (ii) “since a licensee enjoys the right to use the licensed patent during the licensing term,

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the licensee is not an interested party” (Supreme Court Case No. 82 Hu 58).

The recent *en banc* decision overturned the previous decision in Supreme Court Case No. 82 Hu 58 by holding: “An interested party refers to a person who has a direct and realistic interest as to the extinguishment of the patent right or is likely to be subject to legal disadvantage due to the continued existence of the right on the pertinent patent invention. Thus, absent special circumstances, the right to file a petition for a patent invalidation trial may not be deemed to have become extinguished on the ground that a patentee is unlikely to assert the right against a licensee.”

Updated Patent Examination Guidelines for Protecting Innovative Technologies in the Bio-health Field

The Korean Intellectual Property Office (KIPO) revised the patent examination guidelines to allow a digital diagnosis technology to be patented and clarified the examination standards for technologies related to intelligent drug development according to the fourth industrial revolution effective as of March 18, 2019.

Medical diagnostic inventions such as a

method of diagnosing a human body are deemed to be a medical activity and directed to ineligible subject matter. However, the revised examination guidelines clarify that a diagnosis technology corresponding to an information processing method using a computer, including a method of processing bio-big data and the like, is not within the scope of medical activities, unless the diagnosis technology is performed by a medical practitioner.

In the past, the examination guidelines did not clearly provide whether a medical diagnostic invention related to an intelligent drug development, where bio, big data and artificial intelligence technologies are integrated, would belong to a computer invention or a drug invention. As such, it was difficult to predict the patent eligibility of such medical diagnostic invention.

According to the revised examination guidelines, a method for searching for a new drug by artificial intelligence is classified as a computer software invention. On the other hand, for a new drug developed by artificial intelligence, the preparation method or pharmacological effect thereof should be clearly described in the specification in the same manner as a chemical compound invention.

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Patent Cancellation Now Well Established and Actively Implemented

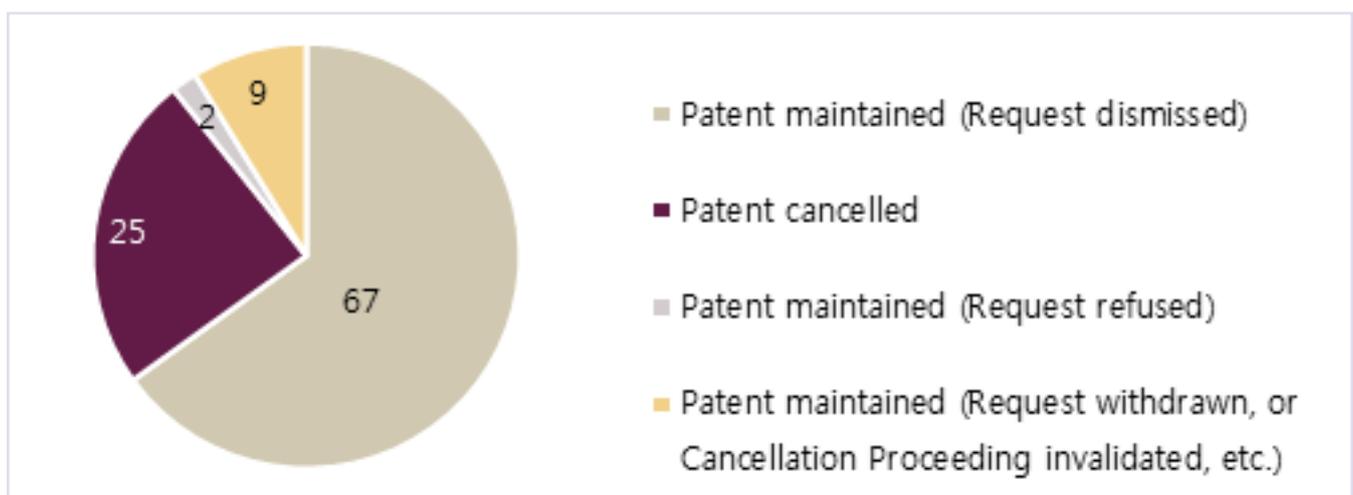
The Intellectual Property Trial and Appeal Board (IPTAB) announced that the patent cancellation has been well established and actively used since its introduction in March 2017.

The patent cancellation was introduced to allow any person to challenge the validity of a granted patent by submitting prior art references within six (6) months after the publication of the patent. As patent cancellation proceedings are *ex parte*,

a patent cancellation requester cannot participate in the proceedings and cannot appeal the IPTAB's decision. Nevertheless, the patent cancellation is a cost-effective procedure to challenge the validity of a granted patent.

According to recent statistics (see the diagram below), the IPTAB had received a total of 278 requests for patent cancellation between March 2017 and February 2019, with 134 requests in the first year of implementation (Mar. 2017 to Feb. 2018) and 144 requests in the second one year (Mar. 2018 to Feb. 2019).

< Outcome of 103 requests of patent cancellation >



TRADEMARKS

In a total of 278 requests filed, 103 requests have been processed, and 25 patents were cancelled (24%), while the remainder of the patents were maintained.

Only three decisions of 25 patent cancellations were appealed to the Patent Court, which shows that a majority of the patentees accepted the IPTAB decisions. While the patentee can appeal the cancellation decision, a requester cannot appeal an IPTAB decision.

Since anyone can file a request for patent cancellation, most of the requesters appear to be individuals, rather than as a corporate entity, in order to keep anonymity of the corporate entity. According to the IPTAB's statistics, 249 requesters were individuals, which accounted to 90% of a total of 278 requesters.

TRADEMARKS

Guidelines on How to Survey Consumers' Recognition of Trademark

The Intellectual Property Trial and Appeal Board (IPTAB) published the guidelines for a survey of consumer recognition of a trademark, which is submitted in the trademark trials, to

acknowledge the reliability of the survey.

The survey of consumer recognition of the trademark is conducted to prove whether the relevant mark is well-known or whether an ordinary mark has acquired distinctiveness based on its extensive use for a long period of time.

Below are the major contents of the guidelines for a survey of consumer recognition of a trademark

1. Retain a reliable research agency and use the qualified survey method

Whether the research agency is qualified can be determined based on the size of the agency, the number of survey cases conducted by the agency, and the number of full-time experts or staffs within the agency.

2. Consider the major characteristics of target consumers for the relevant mark or goods

Since the sampling method may vary according to the type of goods, the major characteristics of target consumers of the relevant mark or goods, such as region, gender, age, *etc.*, should be considered in the survey.

TRADEMARKS

3. Reliability of survey method

If the response rate is less than 30%, the reliability is deemed to be low. If the response rate is more than 50%, the reliability is deemed to be high. However, if the response rate is between 30% and 50%, the reliability would be determined by the discretion of the judge.

The number of sampling respondents depends on the type of the relevant goods. However, if the number of sampling respondents is less than 500 persons, the reliability is deemed to be low. If the number of sampling respondents is more than 1,000 persons, the reliability is deemed to be high.

The questions in the survey should be clear and not inductive.

Patent Court Decision – The registration of the mark “Fairmont” designating the goods “clothing” should be invalidated as the trademark application was filed in bad faith to take a “free ride” on the fame of Fairmont Hotel

Fact relevance

Fairmont Hotel Management L.P. (“Fairmont Hotel”), which is the owner of the prior-registered mark “*Fairmont*” (“Fairmont Hotel’s Mark”), filed an invalidation action against the registered mark “**Fairmont**” (“Youngone Outdoor’s Mark”), which is owned by Youngone Outdoor Corporation (“Youngone Outdoor”), with the Intellectual Property Trial and Appeal Board (IPTAB). In the invalidation action, Fairmont Hotel argued that Youngone Outdoor’s Mark is identical or confusingly similar to Fairmont Hotel’s Mark, which was well-known both in and outside of Korea at the time the application for Youngone Outdoor’s Mark was filed. Thus, it is obvious that the application for Youngone Outdoor’s Mark was filed in bad faith, and therefore, the registration of Youngone Outdoor’s Mark should be invalidated pursuant to Article 7(1)(xiii) of the previous Korean Trademark Act. However, the IPTAB dismissed the invalidation action asserting that the designated goods associated with Youngone Outdoor’s Mark, which are “clothing, etc.” are not commercially related to the designated services associated with Fairmont Hotel’s Mark, which are “hotel services.” Fairmont Hotel filed an appeal with the Patent Court.

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Patent Court Decision

The Patent Court reversed the IPTAB decision and ruled as follows: ① as Fairmont Hotel's Mark is well-known as a specific source indicator in connection with the services "hotel services", it cannot conclude that Youngone Outdoor's Mark was created by Youngone Outdoor; ② the goods bearing Fairmont Hotel's Mark, such as shower gowns, hats, t-shirts, and slippers are being sold by Fairmont Hotel through its online shopping websites and shopping arcade in Fairmont Hotel; and ③ companies operating the famous hotels extend their business into the fashion industry by using the hotel brands. Specifically, W Hotels and Grand Hyatt Hotels, which are worldwide hotel chains, are actually selling goods including "shower gowns, hats, t-shirts, slippers, *etc.*" bearing their hotel brands. Furthermore, Silla Hotels and Walkerhill Hotels, which are the Korean hotel groups, own trademark registrations for their hotel brands designating the goods "clothing, *etc.*" Considering the foregoing, the Patent Court concluded that the designated goods associated with Youngone Outdoor's Mark are commercially related to the designated services associated with Fairmont Hotel's Mark. In addition, the target consumers

for Youngone Outdoor's Mark and Fairmont Hotel's Mark are identical. Thus, if both marks were to coexist, the Korean general public would likely be misled into believing that the goods associated with Youngone Outdoor's Mark are being offered by Fairmont Hotel, or by a company having a special business relationship with Fairmont Hotel. Consequently, the Patent Court held that an application to register Youngone Outdoor's Mark was filed in bad faith to take a "free ride" on the fame of Fairmont Hotel's Mark, and therefore, a registration of Youngone Outdoor's Mark should be invalidated pursuant to Article 7(1)(xiii) of the previous Korean Trademark Act (see Patent Court Case No. 2018 Heo 7712 issued on January 24, 2019).

Signification of Patent Court Decision

The foregoing decision shows that Patent Court considered that "shower gowns, hats, t-shirts, slippers, *etc.*" bearing Fairmont Hotel's Mark, which is widely well-known as a specific source indicator of the services "hotel services," are being sold through online and offline stores of Fairmont Hotel, and determined that it is reasonable to expand the scope of the protection regarding Fairmont Hotel's Mark to the clothing.

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GENERAL LAW

Particular Attention Must be Paid to Send Cease and Desist Letters Before Commencing Legal Actions

When any infringement is discovered, as a primary measure, one considers sending cease and desist letters to the infringer and its trades. In the past, however, courts have held that a registered design right holder should cautiously decide to perform such actions, and if not, the registered design right holder may be liable for damages. Recently, the Patent Court has issued a decision which clarifies the implications and requirements for sending of cease and desist letters (see Patent Court Case No. 2017 Na 2417 issued on October 26, 2018).

In the case, Company A has sold vacuum jars through TV home shopping networks and has registered the designs related to the vacuum jars in 2014 and 2015. On the other hand, Company B has also registered a design for a vacuum jar in 2014 and has sold the vacuum jars via TV home shopping networks.

Upon discovery, Company A sent cease and desist letters to Company B and the home shopping companies, demanding not to sell the vacuum jars of Company B as

they infringed Company A's design rights and any rejection to such demand would be followed by civil and criminal actions. In addition, Company A sent similar cease and desist letters to the trades of Company B stating that producing and selling Company B's products were the acts of unfair competition in violation of the Civil Act. In response to the cease and desist letters, the home shopping companies who received such contents-certified letters from Company A suspended the sales of products by Company B or prohibited additional sales of such products. Further, some trades of Company B returned the products or even cancelled the contracts entered into with Company B.

Company A filed a design infringement lawsuit demanding an injunction and a compensation for damages with the court arguing that Company B's production and sale of the products in question constituted an act of unfair competition and infringed Company A's design rights. On the other hand, Company B also commenced a counteraction, claiming that cease and desist letters by Company A to its trades constituted a tort under the Civil Act while filing a request for an invalidation trial of Company A's registered designs with the Intellectual Property Trial and Appeal Board (IPTAB).

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The IPTAB determined that the registration of Company A's designs was valid. However, the Patent Court reversed the IPTAB's decision and determined that Company A's design registration was invalid.

In addition, the Patent Court ruled that Company A should compensate for the damages caused by the cease and desist letters sent to the trades. Specifically, the Patent Court reasoned that "applying for an injunction or filing a lawsuit in court are justified measures. However, sending a cease and desist letter circumvents available judicial remedies, and thus, deliberate caution has to be made for such action as it could undermine due process of law. Further, when a claimant intends to send such cease and desist letters to the infringers as well as its trades, it is required to be even more cautious." Further, the Patent Court held that "even after Company A discovered that Company B was a registered design right holder, Company A had continuously and arbitrarily sent the cease and desist letters to Company B's trades without conducting any reviews thereof. Further, the details and expressions of the cease and desist letters were quite conclusive. In view of the letters, the trades of Company B had to take measures such as suspending the transactions with Company B since it was

difficult for the trades to determine whether the Company B's design was infringing due to their lack of expertise in this field. In addition, as Company A and Company B were the major competitors in the market for vacuum jars, due to the act of Company A, Company B suffered a great deal of loss."

Therefore, it may be advantageous to seek consultations with professionals upon any discovery of infringement of IP rights, instead of independently sending a cease and desist letter. Further, when sending such letter to the infringer and/or trades, it would be wise to avoid using any definitive expressions therein and give special attention to a trade who is not an expert in the related field.

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Lee International Selected as Asia's Tier 1 Firm in IP-trademark

Lee International was selected as a tier 1 firm in both prosecution and contentious works by the 2019 Asia IP Trademark Survey. Asia IP is a legal information media published by Hong Kong media, 'Apex Asia Media Limited', which provides in-depth articles and useful information to law firms around the world.

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Ju-Hee Park (Patent attorney)



Ju-Hee Park is in charge of patent prosecution in the fields of chemistry, materials, biotechnology, and pharmaceutical industries. Before

joining Lee International, Ms. Park had worked as a patent attorney at YOUME Patent Office (2017-2018) and CNP International IP & Law Office (2018-2019). She graduated from Sogang University (B.A., Department of Chemical Engineering & Biotechnology) in 2017.



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