

# Newsletter

## CONTENTS

### PATENT

1. Jurisdiction over Intellectual Property Infringement Cases to be Consolidated
2. Generic's Argument Against Patent Term Extension Validity Thwarted
3. Patent Court Clarifies that Inventiveness Requires Consideration of the Problem Solved by the Patent
4. Expedited IPT Proceedings Now Faster, Easier to Obtain
5. KIPO Implements New Collaborative Search Pilot Program
6. Employee's Relative Contribution Rate to Employee Invention Lowered in View of Company's Efforts Making Invention the Technology Standard
7. Korean Patent-Approval Linkage System – Initial Statistics

### TRADEMARK, DESIGN, COPYRIGHT & UNFAIR COMPETITION

8. Korean Court Holds Again that a Store's Appearance is Protectable Trade Dress
9. Registered Design Rights Doubly Protected by the UCPA
10. Amendments to the Design Examination Guidelines
11. The Supreme Court Affirms that All Surrounding Circumstances Must Be Considered when Determining Whether Marks are Confusingly Similar
12. Name of Korean Pop Group "Girls' Generation" Recognized as a Famous Mark
13. Non-Distinctive Parts Can Make a Distinctive Mark
14. Performer Compensation Required for Public Use of Streaming Music Services

### FIRM NEWS

#### EDITORS:

John J. KIM  
Inchan Andrew KWON

### PATENT

## Jurisdiction over Intellectual Property Infringement Cases to be Consolidated

*By Duck-Soon CHANG, Si Yul LEE and John J. KIM*

On November 12, 2015, the Korean National Assembly passed amendments to the Korean Civil Procedure Act and Court Organization Act (i) to consolidate jurisdiction over infringement cases involving certain intellectual property rights (i.e., patents, utility models, trademarks, designs, and plant variety rights) (hereinafter "IP Infringement Cases") with five district courts, and also (ii) to reorganize intermediate appeals of IP Infringement Cases which will now be heard exclusively by the Patent Court.

Currently, IP Infringement Cases can be brought before any district court satisfying the venue requirements. In order to increase efficiency and have more well-experienced judges deciding IP Infringement Cases, the amendment vests exclusive jurisdiction of IP Infringement Cases with the Seoul Central, Daejeon, Daegu, Busan, and Gwangju district courts. Although IP Infringement Cases may be brought before whichever of these five district courts satisfies the relevant venue requirements, the Seoul Central District Court will have additional jurisdiction to hear any IP Infringement Cases regardless of venue, since it is considered to have the most expertise among the district courts concerning intellectual property-related matters.

Consolidation of intermediate appeals of IP Infringement Cases under the Patent Court is another change designed to enhance the efficiency of reviewing such cases. Under current law, appeals of district court infringement cases are heard by the High Courts, whereas appeals of Intellectual Property Tribunal cases (including invalidation cases) are heard by the Patent Court. This bifurcated system can result in some inefficiencies, and occasionally conflicting decisions between the Patent Court and High Courts (which would then only be resolvable by the Supreme Court). Thus, the amendment is expected to enhance efficiency and consistency by ensuring that appeals of IP Infringement Cases will be heard exclusively by the Patent Court, which was instituted from the beginning to have special expertise in intellectual property-related matters.

The consolidation of district court jurisdiction and Patent Court's exclusive jurisdiction will apply to all district court cases filed on or after January 1, 2016. In addition, the Patent Court's exclusive jurisdiction will also apply to appeals of IP Infringement Cases where the district court case is pending before January 1, 2016 and the district court decision is rendered on or after January 1, 2016.

# Generic's Argument Against Patent Term Extension Validity Thwarted

By Duck-Soon CHANG, H. Joon CHUNG and Sang-Nam LEE

What does "registered" mean? More precisely, does "registration" have to occur within a certain timeframe? This was one of the main issues disputed in a recent preliminary injunction (PI) action between Bristol-Myers Squibb (BMS), the maker of Baraclude<sup>®</sup>, the top grossing drug in Korea, and Dong-A ST ("Dong-A"), a generic company that had sold its generic version of Baraclude<sup>®</sup> prior to the expiration of the extended term of BMS's patent covering the active ingredient. Previously, both the Intellectual Property Tribunal (IPT), an administrative tribunal within the Korea Intellectual Property Office (KIPO), and the Patent Court had upheld the validity of the patent.

## Dong-A's Interpretation of the "Registered" Licensee

BMS initiated the PI action to enjoin Dong-A's sale of and other commercial activities in connection with its generic version of Baraclude<sup>®</sup>, a hepatitis B drug. Dong-A responded to BMS's complaint by asserting that the patent term extension (PTE) of the patent was invalid, and because the original patent term had already expired, the patent was no longer enforceable.

The governing PTE statute states that an interested party may challenge validity of a PTE if the extension was granted based on a drug marketing approval obtained by someone other than the patentee, exclusive licensee or *registered* non-exclusive licensee of the patent covering the drug. Dong-A asserted that the statutory term "registered" has a strict time requirement — the non-exclusive license must have been "registered" with KIPO as of the time the drug marketing approval was granted. Because BMS Korea (the entity who obtained marketing approval for Baraclude<sup>®</sup>) was a non-exclusive patent licensee, and had not yet registered its license at the time of marketing approval, Dong-A argued that BMS Korea was not qualified as a *registered* licensee under the statute.

Consequently, Dong-A argued that because the PTE for the Baraclude<sup>®</sup> patent was granted based on a market approval obtained by an *unregistered* licensee, BMS Korea, the PTE was invalid.

## The Court's Ruling

In the first substantive interpretation of this portion of the PTE statute, the Seoul Central District Court disagreed with Dong-A and found that the PTE for Baraclude<sup>®</sup> was valid. The Court determined that the PTE statute never contemplated a requirement that a licensee be registered with KIPO specifically before obtaining marketing approval, and therefore BMS Korea's registration of its non-exclusive license was sufficiently timely because it took place before the PTE application for the patent was granted, though after marketing approval was obtained.

## Implications for Generic Exclusivity

Although the PTE validity issue was explored in a PI case rather than a PTE invalidation action at the IPT, we expect the ruling to significantly influence the determination of PTE invalidation cases going forward. Under the patent-drug approval linkage regulations enacted earlier this year (in March), a generic may obtain exclusive rights to sell its generic of a particular drug by securing a favorable decision in one of three types of IPT proceedings — patent invalidation actions, scope confirmation actions, and PTE invalidation actions. Generics have typically sought to meet the "favorable decision" requirement by pursuing as many types of actions as possible against the same patent (including a PTE invalidation action if the patent at issue was extended). Dong-A's argument in this case (that the licensee was not "registered") has been commonly asserted in the PTE invalidation actions filed to date. The District Court's ruling should largely undercut the force of this argument in PTE invalidation cases, and assist patentees' defenses against generics seeking unfairly early entry into the markets for their patented drugs.

# Patent Court Clarifies that Inventiveness Requires Consideration of the Problem Solved by the Patent

*By Duck-Soon CHANG, Yoon-Ki KIM and Peter K. PAIK*

Korean courts reviewing patentability and validity in patent cases typically have not given much weight to the specific technical "problem" the patent-in-suit is intended to solve. But this trend may be changing, in favor of patentees.

This changing trend was encapsulated in the decision in the Patent Court<sup>1</sup> case 2013Heo1313, rendered on January 28, 2014 (which later became final<sup>2</sup>). This case brought some clarity to this nebulous area of Korean patent law, and is worth further attention, especially in light of the recently published commentaries of the responsible judge who rendered the decision, regarding the deliberation process and the issues the panel thought to be particularly relevant.

The patent in question was directed to the specific design and dimensions of a "scribing wheel," a high-end precision instrument used for "scribing" or cutting brittle panels or substrates (e.g., glass substrates for LCD panels). The specific design of the cutting ridge of a scribing wheel (particularly the spacing and dimensions of the notches along the ridge) can significantly influence the desired degree of fragmentation, penetration depth, and yield of the substrate panels being scribed.

When the Patent Court compared the two cited references with the claimed invention, which all related to scribing wheels and their design options (thus relating to the same technical field), it specifically reviewed inventiveness in light of the exact technical problem the invention was intended to solve. The Court then looked at whether the same technical problem was already disclosed, suggested or inherent in the prior art.

Interestingly, in order to answer this latter question, the Court ordered the patentee to submit a "patent map," or a graphical model of the areas in which companies in the relevant field have filed patents, which allows one to quickly visualize the relationships between a particular

patent or technology and prior patents in the same field or industry. Using the patent map, the Court was better able to understand the development and commercialization of the claimed technology in relation to a person of ordinary skill in the art in the field as of the filing date.

Ultimately, the Patent Court reversed the lower decision by the IPT, holding that the patent would have involved an inventive step as of the filing date when reviewed in the context of the unique technical problem it was intended to address. The Patent Court determined that none of the prior art disclosed or otherwise suggested that the design options adopted in the patent would have been thought to address the particular technical problem addressed by the patent, specifically, the suppression of high penetrability while improving the degree of "bite"<sup>3</sup> of the scribing wheel.

Beyond the facts of this particular case, the Patent Court's decision was significant in clearly establishing that the patentability of an invention cannot be examined apart from the specific technical problem it is intended to solve. Prior to this decision, Korean courts often failed to take into account the technical problem at all, or gave it little weight, focusing instead on comparing the technical constitutions of the patent at issue and the prior art, to the extent they belonged to the same technical field. However, the Patent Court's decision expressly held that a unique technical problem in the claimed invention is a strong indicator that an inventive step exists.

The Patent Court's holding should lead to more courts in Korea taking into account the unique technical problems addressed by particular patents, which in turn should lead to greater affirmance of patent validity. Indeed, more and more courts in patent cases are asking the parties to submit a patent map or other patent landscape analysis to better understand the context in which particular inventions were developed.

<sup>1</sup> The Korean Patent Court is an intermediate appellate court with exclusive jurisdiction to review all appeals from the Korean Intellectual Property Office.

<sup>2</sup> The case began as an appeal of a final rejection which was earlier affirmed by the Intellectual Property Tribunal ("IPT"), the Korean equivalent of the PTAB at the U.S.P.T.O.

<sup>3</sup> This relates to the catching of the substrate panels being scribed, without slippage of the scribing wheel.

## Expedited IPT Proceedings Now Faster, Easier to Obtain

*By Young Hwan YANG, Inchan Andrew KWON and Yunki LEE*

The Korean Intellectual Property Office ("KIPO") recently announced amendments to the Regulations for Trial Procedure (effective November 1, 2015), which make expedited actions before the Intellectual Property Tribunal ("IPT") faster and easier to initiate in certain circumstances.

As background, Korea has a bifurcated system for hearing intellectual property disputes, where patent, utility model, design, and trademark infringement actions are handled by civil courts, while actions to invalidate, cancel, or confirm the scope of IP rights are handled by the IPT, which is an administrative tribunal of KIPO. While an independent IPT action typically takes approximately 9-18 months to resolve, the IPT can hear an action on an "expedited" or "highly expedited" basis in certain circumstances (such as if there is a co-pending infringement action). "Expedited" IPT actions are generally decided within 6 to 7 months, whereas "highly expedited" actions have usually been decided within 4 to 5 months.

Under the amendments, an accused infringer can now request "expedited" hearing of an IPT action on the basis that an infringement cease-and-desist letter has been received from an IP right holder (even if no suit has been filed). Further, while actions are already usually "highly expedited" if there is co-pending infringement litigation, "highly expedited" cases should now be heard in no more than 4 months, and in as little as 3 months.

Since it is common for accused infringers to respond to an infringement lawsuit by filing a corresponding invalidation action at the IPT, IP rights holders contemplating asserting infringement claims should be well-prepared to defend against validity challenges to their IP even before filing a lawsuit or sending infringement warning letters.

## KIPO Implements New Collaborative Search Pilot Program

*By Joon-Hwan KIM, H. Joon CHUNG and Kyoung-Soo JIN*

In cooperation with the U.S. Patent & Trademark Office (USPTO), the Korean Intellectual Property Office (KIPO) implemented the Collaborative Search Pilot Program (CSP) on September 1, 2015. The purpose of the CSP is to provide applicants with search results from two offices early in the examination process so that the applicants may better map out their prosecution strategies. KIPO plans to accept up to 200 CSP applications per year for two years, starting from September 1.

The intended benefits of the CSP are (i) to promote greater consistency in examination of the corresponding applications between patent offices and (ii) to provide expedited search results and examination.

### Requirements to Participate in the CSP

In general, the CSP allows the USPTO and KIPO to each conduct a prior art search for its pending application and share the search results with the applicant before a first action is mailed to the applicant. The requirements to participate in the CSP at KIPO are as follows:

- KR application must have the same priority date as the U.S. counterpart;
- Earliest priority date must be on or after March 16, 2013 (the enactment date of U.S.'s America Invents Act);
- An office action has not been issued by either office;
- Claim count limitation – 3 independent/20 or less total claims;

- Claim scope of the KR application is identical to that of the U.S. counterpart;
- Applicant in both applications is identical;
- Application is directed to one single invention; and
- Application cannot have any multiple dependent claims.

#### Potential Benefits of the Program

*No fees for utilizing the pilot program.* Applications accepted under the CSP in Korea will receive expedited review by KIPO potentially receiving a first office action (or allowance) within five to six months, instead of 12 to 16 months, from the request for examination date. Notably, no separate fees are needed for the CSP as opposed to other methods of expediting examination.

*CSP offers a new option for accelerated examination.* Unlike the Patent Prosecution Highway, allowance need not be secured in one of the participating offices prior to expediting examination in another office. However, since each office has a quota of 200 applications per year, each office may procedurally restrict the number of approved petitions or the quota will be reached prior to the end of the year such that applications will no longer be accepted.

Accordingly, applicants are advised to weigh the benefits of accelerated prosecution under the CSP against the procedural burdens of the CSP.

## Employee's Relative Contribution Rate to Employee Invention Lowered in View of Company's Efforts Making Invention the Technology Standard

By Jongmin LEE, Jack Eui-Hwan JUNG and Inchan Andrew KWON

Korean law requires that employees be paid a reasonable compensation for employee inventions. In determining the reasonableness of the inventor compensation, the courts will look at (1) the employer's profits from the invention; (2) the contribution of the employee to the value of the invention (versus the inventor's contribution); (3) and the inventor's contribution relative to the other inventors.

Based on the above factors, the Seoul High Court recently issued a decision on appeal awarding KRW 199 million (about USD 173,000) in employee invention compensation to a former employee at LG Electronics ("LG") who helped invent Long Term Evolution (LTE) technology (Case No. 2014Na2051082, rendered on October 1, 2015). The former employee originally sought KRW 600 million. However, the Court awarded a much smaller amount after finding that the employer's relative rate of contribution to the value of the invention was much higher relative to the former employee's contribution. As neither party appealed the decision to the Supreme Court, the award is now final.

Notably, the District Court lowered the employee's contribution rate to the value of the invention to 5% based on LG's explanations of the substantial amount of

work that was involved in getting the invention selected as the international standard for LTE (including conducting prior art searches in the beginning stages of development to work in negotiating with numerous communications related companies all over the world). This finding was upheld by the High Court. Ultimately, the High Court calculated the inventor compensation award based on the following factors:

- Defendant's profits from the invention: KRW 6.65 billion (based on the amount a third party paid to purchase the patent)
- Former employee's rate of contribution to value of invention (relative to employer's contribution): 5%
- Former employee's rate of contribution relative to other employees: 60%
- Total amount of compensation: (KRW 6.65 billion x 5%) x 60% = KRW 199 million

The employee's rate of contribution to the value of an invention can range from 3-50%. Thus, employers are encouraged to keep detailed records showing the efforts made in developing the invention. The more work that can be attributed to the company, the lower the inventor compensation awards are likely to be.

# Korean Patent-Approval Linkage System – Initial Statistics

By Mee-Sung SHIM, Inchan Andrew KWON and Garam BAEK

## Introduction

Pursuant to the Korea-U.S. Free Trade Agreement, Korea agreed to enact a pharmaceutical regulatory system similar to the Hatch-Waxman system in the U.S., whereby branded pharmaceutical companies would be able to publicly "list" patents covering their approved pharmaceuticals and be notified if a generic company intended to seek approval for a generic version of the pharmaceutical, and have an opportunity to file a patent infringement lawsuit against the generic to delay its entry into the market for a limited period of time while the infringement litigation was resolved. Generics meanwhile were to be incentivized to challenge pharmaceutical patents through the grant of exclusive rights to sell a generic version of a drug to the first generic company to challenge a particular patent. Korea fully implemented the new patent-approval linkage system in March of this year, and there has been much speculation in Korea as to how generic companies would react to its implementation. The initial statistics indicate that generic companies are indeed utilizing the system in large numbers, but also that certain generics may be thinking more carefully about whether they really intend to introduce specific generic products into the market.

## Huge increase in filings

Since patent listing was first permitted in 2012, including for already-approved products if filed before June 15, 2012, the numbers of patent listing related challenges filed at the Korean Intellectual Property Office ("KIPO") have steadily increased:

KIPO actions filed per year

Year	Filings*
2013	49
2014	216
2015 (through Sept. 2015)	1853

\*includes patent invalidation, scope confirmation, and patent term extension (PTE) invalidation actions

Source: KIPO and CoreZetta (a Korean company providing pharmaceutical-relevant data)

However, that increase has been much greater in 2015, presumably due to the fact that generics were only able to qualify for generic sales exclusivity as of March 2015. In order to qualify for generic exclusivity, a generic company must show that it is the "first to file" a successful KIPO action against the relevant pharmaceutical patent, or the first to actually receive a decision in its favor in such an action. However, because "first to file" includes companies filing within 14 days of the actual first-filed action, there is a strong incentive under the Korean linkage system for generics to file first and ask questions later once one KIPO action is filed, simply to preserve their ability to sell the relevant generic if the pharmaceutical patent is eventually invalidated.

## Generic strategies indicated by types of filings

The types of actions being filed also give some insight into the strategies of generic companies regarding possible marketing of generics. As the following table shows, there have been a surprisingly high number of PTE invalidation filings, and a surprisingly low number of negative scope action filings:

Types of KIPO actions filed

Trial Type	% (approx.)
Patent invalidation	61
PTE invalidation	30
Negative scope confirmation	9

Source: KIPO, CoreZetta, and Kim & Chang

The relatively high percentage of PTE invalidation actions is surprising mainly because no invalidation actions based on PTE were previously filed in Korea. The goal of a PTE invalidation action is simply to shorten or eliminate the extended patent term granted due to regulatory delays, without affecting the original patent term. In contrast, a negative scope confirmation action requires that the product being compared with the patent actually exist or will exist. This suggests that many generics do not have concrete plans to release generic versions of drugs corresponding to challenged patents, but merely wish to preserve their rights to sell such drugs if an invalidation action is successful. Additionally, the vast majority of PTE invalidation actions have been filed against compound



patents (around 80%), which suggests PTE actions were filed instead of regular invalidation actions due to the fact that compound patents tend to be stronger patents.

### Patent challenges at a very early stage

Further, generic challenges under the patent linkage system seem to be concentrated against drugs whose post-marketing surveillance ("PMS") period will not expire before 2017:

KIPO filings according to PMS expiry

Date of PMS expiry	% of filings (approx.)
Already expired	10%
Expires before end of 2016	8%
Will expire in 2017 or later	82%

Source: Kim & Chang

The PMS period in Korea acts as a *de facto* data exclusivity period because generics can only apply for approval once the relevant PMS period expires. Prior to the patent linkage system, patent challenges were generally made approximately a year or less before the expiration of the PMS period. However, this has significantly changed under the patent linkage system, as many KIPO actions are now being filed against drug patents which are still very early in the PMS period (for which generics cannot be introduced for some time).

This may suggest that generics are filing actions merely to try to preserve generic exclusivity rights, rather than as a result of any concrete launch plans. This is further evidenced by the fact that the actions in the "will expire in 2017 or later" category are almost entirely patent invalidation and PTE invalidation actions, since negative scope confirmation actions would require that the generic describe the specific product to be compared to the patent. Another possible reason may be due to the fact that generic exclusivity can only be granted if a patent decision in the generic's favor issues within nine months of the generic application filing date. Thus, an action filed in connection with a drug not susceptible to immediate generic approval is more likely to reach a decision before the expiration of that nine-month timeframe.

### Fewer actions going forward?

Despite the huge initial number of generic company KIPO filings, there are indications that the number of actions may substantially decrease going forward.

First, it should be noted that approximately 30-40% of the KIPO actions initially filed by Korean generic companies have since been withdrawn or terminated for procedural reasons (e.g., failure to pay fees). This indicates a significant portion of the generics' initial KIPO filings may have been simply to preserve their rights, and that Korean generic companies may now be reconsidering whether they have serious plans to produce generic versions of specific drugs.

Further, the Ministry of Food and Drug Safety ("MFDS"), which administers the patent linkage system, recently clarified that generic exclusivity will only be granted if the drug patent being challenged is still in force at the time a generic company's approval application is filed. Since the vast majority of KIPO filings are currently against drugs whose PMS period will continue for at least another year and a half, it is possible some of these filings may be withdrawn and possibly re-filed at a later date, to avoid the patent being finally invalidated before the generic has an opportunity to file for approval. The MFDS will likely look at other ways to prevent indiscriminate filing of KIPO actions on the basis of the patent linkage system as well.

As is clear from the above, Korea's patent-approval linkage system is still a work in progress, as the relevant parties continue to work out how the system will function in practice. However, the initial statistics from KIPO already give a clearer picture of how generic companies intend to respond to the new system and of their plans for generic drugs in particular situations.

TRADEMARK, DESIGN, COPYRIGHT & UNFAIR COMPETITION

# Korean Court Holds Again that a Store's Appearance is Protectable Trade Dress

By Chunsoo LEE, Mikyung (MK) CHOE and Seung-Chan EOM

Only recently, at the end of 2014, the Seoul Central District Court recognized for the first time in a case involving competing ice cream shops in Korea<sup>1</sup> that a shop's general appearance and decorative elements can be protected trade dress under the Unfair Competition Prevention and Trade Secrets Act ("UCPA").<sup>2</sup> In another recent case handled by Kim & Chang on behalf of the plaintiff, the same court has now issued another decision confirming that a bakery shop's general appearance (including the logo, outdoor signage, and indoor layout) and other decorative elements are protected trade dress under the UCPA (Case No. 2014Gahap529490, July 10, 2015).

## Facts

This case was brought by Seoul Lovers, a premium bakery shop specializing in freshly baked sweet red bean pastries, against a former employee of Seoul Lovers and his business partner, who had opened their own bakery shop imitating Seoul Lovers' shop appearance and design concepts.


Under the so-called "catch-all" provision of the UCPA (Article 2(1)(x)), Seoul Lovers sought a permanent injunction and damages against the defendants on the grounds that the defendants infringed Seoul Lovers' trade dress by copying its shop appearance and design.

## Decision

The court recognized that the appearance and design elements claimed by Seoul Lovers as its trade dress were produced after considerable effort and investment on Seoul Lovers' part for the purpose of distinguishing Seoul Lovers from other bakeries, and that the defendants were engaging in deceptive and wrongful business practices by free riding on Seoul Lovers' goodwill.

The court also awarded substantial damages to Seoul Lovers from the defendants, despite the normal difficulty in calculating actual damages in trade dress cases. The court used the defendants' entire sales during the period of infringement as the basis for the damages award, and calculated lost profits according to Seoul Lovers' profit margin rather than the defendants'.

While the decision was appealed to the Seoul High Court and is pending, it is becoming increasingly clear that retail stores' general appearance and design concepts can be effectively protected in Korea under the UCPA, even if not otherwise registered in Korea.

	Seoul Lovers	Defendants' bakery
Logo		
Outdoor Signage		
Indoor Layout & Design		

<sup>1</sup> For more details about the case (in which Kim & Chang successfully represented the plaintiff, Softree), please see our Winter 2014/15 newsletter. One of the UCPA claims in that case was later overturned on appeal (and is subsequently pending before the Supreme Court), but the appeal of the "catch-all" UCPA claim covering the general appearance of the store was withdrawn by the defendant and thus the decision as to that claim is now final.

<sup>2</sup> UCPA Article 2(1)(x): A party shall not interfere with another person's right to profit by appropriating for one's own business use, without authorization, anything which the other person produced through considerable effort or investment in a manner that contravenes fair commercial trade practice or competition order.



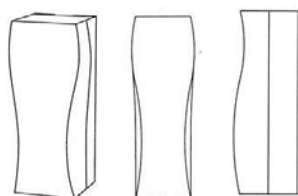
# Registered Design Rights Doubly Protected by the UCPA

By Young Joo SONG and Angela KIM

In a recent design infringement case brought by Ezaki Glico ("Glico") against Lotte Confectionery ("Lotte"), the Seoul Central District Court issued a decision (now final after lack of appeals) substantially strengthening protection for registered designs in Korea by ruling that Lotte's use of similar packaging for a confectionery product similar to Glico's not only infringed Glico's registered packaging design, but also violated the "dead copy" and "catch-all" provisions of the Unfair Competition Prevention and Trade Secrets Protection Act ("UCPA"), even though Glico's product had not yet been sold in Korea (Case No. 2014Gahap581498, rendered on August 21, 2015).

## Facts

In October 2012, Glico started selling "Bâton d'or" cookies in Japan in the following packaging box and registered a design for the box in Korea in April 2013.



In October 2014, Lotte launched a limited edition of "Premier Pepero" products in Korea, in similar packaging as shown below. Glico, represented by Kim & Chang, sued for a permanent injunction against Lotte, alleging that Lotte's product infringed Glico's registered design rights in the Bâton d'or packaging, and constituted unfair competition under the UCPA.



## Decision

The court's decision was a complete victory for Glico:

- (1) The court rejected Lotte's argument that Glico's design lacked novelty and originality over prior designs,<sup>2</sup> and ruled that Lotte's product infringed Glico's registered design rights due to the similarity of the packaging of the two companies.
- (2) The court also ruled that the dead copy provision of the UCPA was breached through Lotte's close copying of Glico's packaging, even though Glico's Bâton d'or product was not marketed in Korea. Lotte argued that the fact that the Bâton d'or product was not sold in Korea meant that Glico could have no demonstrable harm to its business interests in Korea (and thus did not qualify for relief under the UCPA). However, the court did not take such a narrow view, and noted that it was reasonable to conclude that the plaintiff's business interests would be harmed for the following reasons:
  - i) the parties were direct competitors in the same industry;
  - ii) Glico already was selling a very similar confectionery product in Korea (under the name "Pocky");
  - iii) it was sufficient for purposes of the UCPA that Glico would start selling the Bâton d'or product in Korea in the near future, even if there were no current sales; and
  - iv) there was a likelihood of confusion between Glico's and Lotte's products due to Lotte's infringement of Glico's registered design.
- (3) The defendant's act also breached the "catch-all" provision of the UCPA, which is intended in part to protect a plaintiff's substantial investment of time and money in developing its business against unfair exploitation by others. The court recognized Glico's substantial effort and investment in developing its packaging, and found that because Lotte clearly copied Glico's product, it was unfairly profiting from Glico's investment, in violation of the UCPA.

<sup>1</sup> Pictures obtained from <http://global.rakuten.com/en/store/mono-y2/item/p-0007/>

<sup>2</sup> After Glico's suit was filed, Lotte filed an invalidation action against Glico's design registration before the Intellectual Property Tribunal, which is still pending.

This case illustrates the value of design registrations for protecting the appearance of products against copycats. While the UCPA "dead copy" protection is limited to a period of three years from the creation date of the original product, owners of registered design rights do not have to worry about any such limitation. Moreover, the UCPA

claim requires that the plaintiff have sufficient "business interests" in Korea in order to be protected. Although the court in this case held that such "business interests" are not limited to actual sales, having a design registration in Korea removes any uncertainty as to whether a company's designs qualify for protection.

## Amendments to the Design Examination Guidelines

*By Sung-Nam KIM and Nayoung KIM*

The Korean Design Examination Guidelines ("Guidelines") have been amended effective October 1, 2015 to encourage examiners at the Korean Intellectual Property Office ("KIPO") to treat design applications with greater flexibility during examination. Some of the more notable amendments are outlined below.

### 1. Designs of Sets of Articles

Under the Design Protection Act ("DPA"), if two or more products are used together as a set (i.e., a set of utensils, a set of tea apparatus, and a set of smoking apparatus etc.), the design of the entire set may be registered as a single design as long as the set constitutes a coordinated whole. However, in practice, KIPO examiners usually did not grant registrations for sets of articles unless the set was one of those explicitly listed as an example in the Enforcement Decree of the DPA. The amended Guidelines eliminate this practice and specify that examiners should grant a registration for a set of products if the individual products genuinely constitute a set, the products are all used at the same time, and the set as a whole has a unified design.

### 2. Single Application for Single Design

This amendment makes clear that an article comprising several different parts that can be physically separated from each other still may be filed as a single design, as long as the entire article is traded in the market as one product.

### 3. Priority and Amended Drawings

In order to claim priority, the presented drawings must be identical to the drawings submitted in the original priority

application. However, because Korea has a number of different formal requirements for drawings compared to other jurisdictions, KIPO often requires foreign applicants to amend the drawings in their design applications. Problems sometime arise in this regard because material amendments to the drawings in a Korean design application are not allowed after the application has been filed, and in practice whether an amendment is "material" has been determined by comparing the amended drawings with the drawings in the Korean design application as filed. As a result, foreign applicants who amend their drawings pursuant to a request from KIPO have often subsequently received an office action for making material amendments to the drawings. The amended Guidelines now recommend that examiners should consider the drawings in the original priority application as well as the drawings in the Korean application as filed when they decide whether or not material changes have been made.

### 4. Registrability of Screen Images

Under the amended Guidelines, neither the size nor location of a screen image (such as a graphical user interface or icon) is to be considered when determining similarity to other designs.

Further, the creativity of a screen image ordinarily is evaluated based on the claimed portions of the design only (which must be depicted in the drawings with solid lines), but under the amendment, the function or usage of other portions of the drawings (depicted with dotted lines) also can be considered if necessary to fairly evaluate such creativity.

# The Supreme Court Affirms that All Surrounding Circumstances Must Be Considered when Determining Whether Marks are Confusingly Similar

By Min-Kyoung JEE and Angela KIM

## Daiso Asung Co., Ltd. vs. Dasaso Co., Ltd.

Daiso Asung Co., Ltd. ("Daiso") is the Korean franchisor of the DAISO store chain, whose business model is to offer a large and constantly changing selection of household items at very low prices. In 2013, after the defendant started using the name DASASO for its chain of similar competing stores, Daiso brought a civil action against them seeking an injunction and damages based on claims for unfair competition and infringement of its Korean trademark registrations in connection with the **다이스소** (reg. No. 41-84516) and **DAISO** (reg. No. 45-7124) marks, both of which are registered for "stationery sales agency, kitchen utensils sales agency" and other similar categories.

Daiso produced evidence that it had been using the DAISO mark in Korea since 2001, and that by 2013, there were 900 franchised DAISO stores across the country with annual sales of more than KRW 800 billion (approximately USD 708 million). Daiso also showed that it had been recognized numerous times over the years with awards, had heavily advertised in Korea, and had been the subject of many articles in the mass media. Nevertheless, the district court rejected Daiso's claims and found that the DASASO and DAISO marks were not confusingly similar, based on a relatively narrow review of whether the words "DASASO" and "DAISO" themselves could be easily distinguished.

On appeal, the high court reversed the district court decision with respect to the trademark infringement claim, holding that consumers seeing the DASASO name clearly would be reminded of the DAISO mark, and that consumer confusion was therefore likely to result. In reaching its decision, the high court noted the following:

- The first and last syllables of DAISO and DASASO are the same;
- The services offered by the defendant are similar to the designated services for Daiso's registrations;
- The DAISO mark is well-known in Korea;
- The defendant had adopted a business concept similar

to Daiso's, selling the same goods and targeting the same consumers; and

- The defendant's stores displayed their goods in a manner very similar to Daiso.

The Supreme Court agreed with the reasoning of the high court and upheld the decision (Case No. 2014Da216522, decided on October 15, 2015).

While Korean courts generally do take into account the bad faith intent of the defendant, the fame of the plaintiff's mark, and other circumstances in deciding whether marks are confusingly similar, it is also not uncommon for marks consisting of short single words to be evaluated rather narrowly for similarity as the district court did in this case. However, the fact that the Supreme Court clearly reaffirmed that the totality of the circumstances must be considered in all determinations of the similarity of marks should encourage greater protection in future for all marks.

## Name of Korean Pop Group "Girls' Generation" Recognized as a Famous Mark

*By Seung-Hee LEE and Nayoung KIM*

"Girls' Generation" is the name of a famous all-girl pop group in Korea. The group first made its debut in July 2007 and became extremely popular within a short period through their various concerts, performances, television appearances, and other promotional activities, enjoying substantial record sales as a result. The mark "Girls' Generation" (in Korean translation), however, was registered by an individual unrelated to the group on February 10, 2009, covering various goods and services in Korea unrelated to music or music performance.

The entertainment company representing Girls' Generation, SM Entertainment Co., Ltd. ("SM"), filed an invalidation action against the above registration at the Korean Intellectual Property Office's Intellectual Property Tribunal ("IPT"). While the IPT agreed with SM and found the mark invalid, the Patent Court reversed this decision on appeal. The Patent Court held that Girls' Generation was known among a limited group of people, and thus confusion would only occur if the mark was used on goods and services such as records or musical performances, or on related goods and services.

The Supreme Court reversed the Patent Court, and remanded the case. The Supreme Court initially found that even though the "Girls' Generation" mark was primarily used in connection with "records, music" and "musical performance services, broadcasting appearance services, etc.," the fame of the mark extended beyond the music industry to the general public. The Court further found that using the mark even on goods and services unrelated to music such as "coats" and "cosmetic services" would likely lead to consumer confusion, because it would be plausible to consumers that either SM or its affiliates might offer such products and services. Therefore, the Court held that the mark would deceive consumers, and held that it should be invalidated.

This Supreme Court decision is significant because it gives holders of unregistered but famous marks greater protection against third party imitation marks, even if such third party marks may cover unrelated goods and services.

## Non-Distinctive Parts Can Make a Distinctive Mark

*By Joo Young MOON and Nayoung KIM*

The Patent Court recently held that the mark "AMERICAN UNIVERSITY" (the "Subject Mark") is sufficiently distinctive among Korean consumers to be registered for its designated services of university education services, instruction services, etc. The Patent Court rejected the overly-literal approach of the Korean Intellectual Property Office ("KIPO") and the Intellectual Property Tribunal ("IPT") to distinctiveness, by affirming that even non-distinctive elements can comprise a distinctive mark if sufficiently recognized by the relevant consumers.

### History

Both the examination bureau of KIPO and the IPT had previously ruled that the Subject Mark was a mere

combination of the well-known geographic term "AMERICAN" and the word "UNIVERSITY" which is the type of body or business providing the designated services, and that the combination of these two words did not form a new concept or possess new distinctiveness. As such both the KIPO and IPT rejected the Subject Mark under Article 6(1)(iv) of the Korean Trademark Act ("TMA"), which forbids registration of marks comprised of well-known geographical terms, and under Article 6(1)(vii), which forbids non-distinctive marks.

### Patent Court

On appeal, the Patent Court came to a different conclusion, finding that the Subject Mark referred to a specific university operated by the applicant. The court

noted the history, student size, facilities, degree of fame in and outside of Korea, and Internet search hits related to the university, and concluded that the Subject Mark was known to ordinary consumers of the designated services as the name of a specific university. The court also noted that university names comprised of a geographical name and "university" are common, and that it is easy for consumers to determine that the Subject Mark in its entirety is a university name, by consulting information easily available on the Internet or other reference materials. In other words, the court found that the Subject Mark did not only convey the general concept of a university located in the U.S., but that there was a new concept and overall distinctiveness in the Subject Mark as the name of the university located in Washington, D.C., U.S.A. Therefore, the court held that Articles 6(1)(iv) or (vii) did not apply to the Subject Mark, and reversed the prior IPT decision.

KIPO appealed the Patent Court decision on August 11, 2015, and the appeal is currently pending before the Supreme Court.

#### Relevance

The Patent Court properly recognized that newly formed meanings or consumer perception should be taken

into consideration when determining whether a mark comprised of non-distinctive elements should be granted a registration.

This is in line with the Supreme Court's recent decision acknowledging that Seoul National University's mark "Seoul University" (in its Korean translation) designating Class 5 should be granted a registration. The Supreme Court held that the mark "Seoul University" also did not fall within TMA Articles 6(1)(iv) or (vii), as consumers were well aware that the combination of "Seoul" and "University" now refers to a specific national university located in Seoul, and not just any university in Seoul. The Patent Court took the Supreme Court's reasoning one step further by implying that Korean consumers can be aware of universities even in the U.S., and thus would have known that the Subject Mark is the name of a university, based on information found on the Internet. While it remains to be seen whether the Patent Court's more flexible approach to distinctiveness will prevail, this is a potentially encouraging development for owners of foreign marks with non-distinctive elements wishing to register their marks in Korea.

## Performer Compensation Required for Public Use of Streaming Music Services

*By Seoung-Soo LEE and Nayoung KIM*

In Korea, it has been legally uncertain whether playing digital music through a streaming music service is a "public performance using a commercial music record", and therefore whether compensation for public performance is owed to the relevant music performers and producers for public streaming of music through such services. The Korean Supreme Court has now finally resolved this issue (Case No. 2013da219616, December 10, 2015) in a decision that expands protection for the rights of music performers and producers.

Articles 76-2(1) and 83-2(1) of the Korean Copyright Act ("Act") state that a party who publicly performs using a "commercial music record" shall pay reasonable compensation to the performer or producer of the recording. While the term "commercial music record" has previously been applied to traditional, tangible music

media such as CDs, records, and tapes, it has been unclear whether digital music was also included within the meaning of the term.

The Supreme Court held that digital music does indeed qualify as a "commercial music record" under the Act, and that "use" of a commercial music record includes not only direct playback, but also indirect playback through methods such as online streaming. The Court determined that a department store which uses streaming services to play music in their store may be liable to compensate the performer or producer of the music streamed. As a result, any party that publicly plays music through a digital streaming service may now be required to compensate the relevant music performers and producers in addition to any fees paid to the streaming service itself (if those fees do not already include such compensation).

## FIRM NEWS

### AWARDS & RANKINGS

#### Tier 1 in all 15 areas – The Legal 500 Asia Pacific (2016)

Kim & Chang has been recognized in the 2016 edition of the Legal 500 Asia Pacific as a top-tier law firm in the following practice areas:

Antitrust and competition, Banking and finance, Capital markets, Corporate and M&A, Dispute resolution, Employment, Insurance, **Intellectual property, Intellectual property: patents and trademarks**, International arbitration, Projects and energy, Real estate, Shipping, TMT (Technologies, Media & Telecommunications), and Tax

In addition, 15 Kim & Chang professionals were named "Leading Individuals" in their respective practice areas. In the Intellectual Property practice area, **Jay (Young-June) Yang** was selected as a leading individual.

The Legal 500 Asia Pacific, published by Legalease, is a leading publication offering comprehensive analysis of law firms across Asia Pacific. In addition to the Asia Pacific edition, The Legal 500 series provides comprehensive worldwide coverage on recommended legal service providers in over a hundred countries based on in-depth research and interviews with corporate counsel from around the globe.

#### Highest number of awards – ALB Korea Law Awards 2015

Kim & Chang won the highest number of awards (ten out of twenty-four categories) at ALB's 3rd annual Korea Law Awards, which took place in Seoul on November 13, 2015.

The firm was honored in the following categories:

##### Firm Categories – Only winner

- Korea Law Firm of the Year
- Banking and Financial Services Law Firm of the Year
- Construction and Real Estate Law Firm of the Year
- Deal Firm of the Year
- Intellectual Property Law Firm of the Year
- Labour and Employment Law Firm of the Year
- Litigation Law Firm of the Year
- Technology, Media and Telecommunications Law Firm of the Year

##### Deal Categories – Co-winner

- Debt Market Deal of the Year: The Republic of Korea's Dual-Tranche Multi-currency Note Offering
- Real Estate Deal of the Year: Development of Public Housing through REITs

Asian Legal Business (ALB) is a Thomson Reuters company. Throughout Asia, the ALB Law Awards recognize and honor outstanding achievements of leading law firms and in-house legal teams.

#### Outstanding in 11 practice areas – Asialaw Profiles 2016

Kim & Chang has been named an "Outstanding" firm for South Korea in Asialaw Profiles 2016 in the following 11 practice areas: Banking & Finance, Capital Markets, Competition & Antitrust, Construction & Real Estate, Corporate/M&A, Dispute Resolution, Insurance, **Intellectual Property**, Labour & Employment, Private Equity, and Restructuring & Insolvency.

In addition, the firm's 4 practice areas – IT, Telco & Media, Project Finance, Shipping, Maritime & Aviation, and Tax – were recognized as "Highly recommended," and 3 practice areas – Energy & Natural Resources, Financial Services Regulatory, and Investment Funds – were recognized as "Recommended" practice areas.

Further, 16 Kim & Chang professionals were named "Recommended Individuals" in their respective areas of practice. In the Intellectual Property practice area, **Jay (Young-June) Yang** was selected as a recommended individual.

Asialaw Profiles, published by Legal Media Group of Euromoney Institutional Investor PLC, is a guide to Asia Pacific's leading law firms and lawyers. Asialaw Profiles determines its rankings through in-depth research and interviews with lawyers and law firm representatives.

#### National Law Firm of the Year – Asialaw Asia-Pacific Dispute Resolution Awards 2015

Kim & Chang was named "National Law Firm of the Year - South Korea" at the inaugural Asialaw Asia-Pacific Dispute Resolution Awards 2015, hosted by Asialaw Profiles, a



legal media group affiliated with Euromoney Institutional Investor PLC. The award ceremony was held in Hong Kong on September 24, 2015. In addition, the "Apple Inc. vs. Samsung Electronics" case in which our firm represented Apple Inc. was selected as the "Matter of the Year."

The Asialaw Asia-Pacific Dispute Resolution Awards recognize the outstanding achievements of individuals and companies within the dispute resolution arena based on peer and client feedback, combined with submissions analysis and independent research.

#### Ann Nam-Yeon Kwon named to Euromoney's Women in Business Law

**Ann Nam-Yeon Kwon**, a senior trademark attorney in the firm's IP Group, has been recognized as among Korea's leading practitioners in the 5th edition of the Guide to the World's Leading Women in Business Law.

Expert Guides series, published by Euromoney Institutional Investor PLC, is designed primarily for individuals who need access to the world's leading business lawyers in specific areas of law.

#### Trademark Firm of the Year – 2015 Asia IP Awards

Kim & Chang has been named "Trademark Firm of the Year for Korea" at the 2015 Asia IP Awards. The ceremony was held in Okinawa, Japan on November 13, 2015, and **Jong-Kyun Woo**, a senior trademark attorney in the firm's IP Group, attended the awards presentation.

Asia IP is published by Apex Asia Media Limited, an independent publisher based in Hong Kong, and offers an extensive range of in-depth features and resources essential for IP-owning firms active in Asia and international law firms that want to keep ahead of the key issues.

## EVENTS

### Norwegian Business Association Korea Meeting in Seoul, September 5, 2015

**Mikyung (MK) Choe**, a foreign attorney in the firm's IP Group, spoke at a meeting hosted by the Norwegian Business Association (NBA) Korea in Seoul on September 5, 2015. Ms. Choe presented on "How to use intellectual property when doing business in Korea," highlighting the importance of IP assets and strategies to protect them.

Established in 2002, NBA Korea is an independent, non-profit organization committed to helping and promoting the interests of the Norwegian business community in Korea.

### 2015 Korea-EU IPR Conference in Seoul on October 22, 2015

The 2015 Korea-EU IPR Conference was held in Seoul on October 22, 2015. Hosted by the European Chamber of Commerce in Korea (ECCK) and co-hosted by the European Patent Office (EPO), the Korean Intellectual Property Office (KIPO), and the Office for Harmonization in the Internal Market (OHIM), this year's conference featured sessions on anti-counterfeiting, trademarks and industrial designs, and patents. As a sponsoring firm, six attorneys from Kim & Chang's IP Group actively took part in the conference.

In the "Anti-Counterfeiting" session, **Duck-Soon Chang** participated as a moderator, and **Jason J. Lee** and **Seung-Hee Lee** presented on "Legal measures against counterfeits in Korea." In the "Trademark and Industrial Design" session, **Seong-Soo Lee** participated as a moderator, and **Nayoung Kim** and **Joo-Young Moon** presented on "Practical tips on protecting your trademark and design rights."

Founded in 2012, ECCK is a pre-eminent association of European businesses active in Korea and regularly hosts various formal and informal gatherings. Now in its third year, the 2015 Korea-EU IPR Conference once again served as an exceptional platform for information exchange and networking among Korean and European IP experts.

### 2nd Swiss-Korean Life Science Symposium in Seoul, October 22-23, 2015

The 2nd Swiss-Korean Life Science Symposium was held

in Seoul on October 22-23, 2015. During the "Medical Technology" session, **Stephen T. Bang** from the firm's IP Group presented on "MedTech Global Collaboration & IP Protection in Korea," focusing on some unique aspects of the Korean IP system and relevant issues involving global companies including trade secrets, employee inventions, and R&D projects.

This event was co-organized by the Embassy of Switzerland in Korea and the Korea Health Industry Development Institute (KHIDI) and sponsored by major Swiss and Korean public and private organizations in the life sciences field. It proved once again to be a premier event for networking and exchanging information with experts from various organizations including research institutes, universities, government agencies and private sector companies.

#### 2015 BIO IPCC-Fall Conference in Cary/Raleigh, NC, November 16-18, 2015

The 2015 BIO IPCC-Fall Conference was held in Cary/Raleigh, NC on November 16-18, 2015. For the "Biosimilars: What We Can Expect from the European & South Korean Experience" session, **Kevin Kyumin Lee** from the firm's IP Group participated as a panelist and addressed biosimilars patent issues and litigation proceedings in Korea, sharing valuable insights and strategic considerations with the other presenters and attendees.

With over 100 attendees representing biotech and pharma companies, law firms, academia and government, the 2015 BIO IPCC-Fall Conference served as a great platform to draw attention to the rapidly advancing biosimilar industry in Korea and promote Kim & Chang's strong practice in the biotechnology patent field.