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FIRM NEWS

PATENT

KIPO's Growing Popularity as an ISA for U.S.-Originating PCT Applications

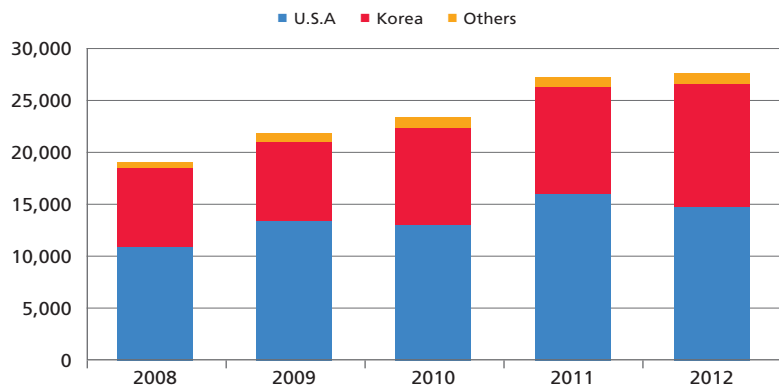
By Min Ho LEE and Inchan Andrew KWON

Under the PCT system, each application must undergo an international patentability search by a designated international search agency ("ISA"). As of the beginning of 2013, there were 15 national (or regional) patent offices or organizations operating as ISAs around the world, at least one of which must be made available for selection through the receiving office where the PCT application is filed. With the continuing growth in the number of international patent filings, and companies' growing need to pursue IP protection in multiple countries, the choice of ISA to perform the search on a given application is becoming increasingly important.

In 2012, the Korean Intellectual Property Office ("KIPO") was the third-most selected ISA for PCT applications, issuing 14.1% of all International Search Reports (ISRs) issued that year (trailing only the European Patent Office ("EPO") (with 38.5% of issued ISRs) and the Japan Patent Office ("JPO") (with 21.5% of issued ISRs)). The statistics show that there has been a continuous increase in the number of ISRs issued by KIPO in the last several years. In the first quarter of 2013, KIPO has issued 12,837 ISRs, a nearly 62% increase from the same period in 2012, in which it issued 7,925.

Notably, more than half of all ISRs issued by KIPO in the past five years were for PCT applications that originated from the U.S.A., even outnumbering ISRs for Korea-originated PCT applications.

Number of ISRs issued by KIPO for the past five years



Year	2008	2009	2010	2011	2012	
Total	19,020	21,715	23,303	27,139	27,442	
Origins	U.S.A.	10,904	13,453	12,995	15,906	14,685
	Korea	7,553	7,434	9,342	10,225	11,781
	Others	563	828	966	1,008	976

Source: WIPO statistics database

With respect to which individual companies have most utilized KIPO as an ISA in recent years, while comprehensive statistics are not available, a review of various publicly available sources indicates that the top corporate users of KIPO for ISA services are Intel, HP, Microsoft, Baker Hughes, Applied Materials, and 3M.

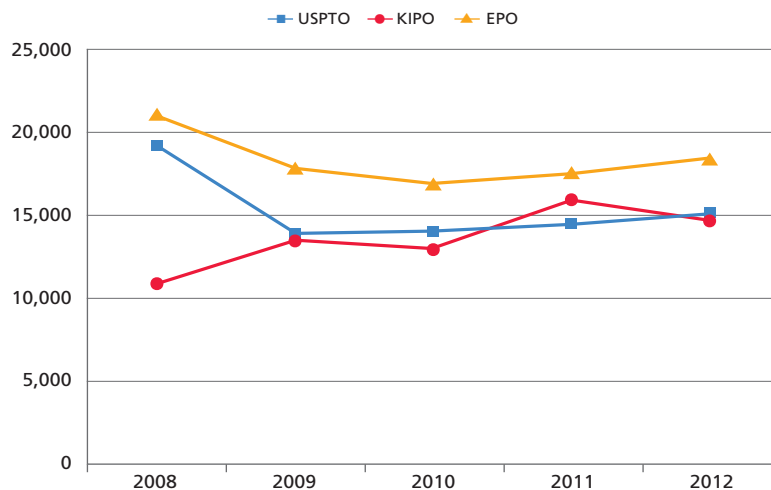
KIPO’s Strong Appeal as an ISA Choice for U.S.-Originated PCT Applications

With respect to the number of ISRs prepared by ISAs specifically for PCT applications originating from the U.S., KIPO has performed very well relative to other ISAs. While the EPO has consistently topped the list as the most-

selected ISA for such applications over the last five years, KIPO has not been far behind, and has been selected almost as often as the United States Patent and Trademark Office (“USPTO”) for U.S.-origin PCT applications in that timeframe. In fact, KIPO surpassed the USPTO in terms of ISR output for U.S.-origin PCT applications in 2011.

KIPO does face growing competition from other lower cost ISAs for U.S.-related PCT search services. In particular, Russia’s and China’s patent offices have shown significant growth in the issuance of ISRs for U.S.-originated PCT applications in 2012, and the data for Q1 of 2013 (the most recent available) shows that this growth trend is continuing.

Number of ISRs issued by USPTO, KIPO and EPO for PCT applications originating from U.S.A.



Year	2008	2009	2010	2011	2012	2013 Q1
EPO	21,153	17,881	16,963	17,634	18,562	4,990
USPTO	19,291	13,835	14,142	14,476	15,018	3,988
KIPO	10,904	13,453	12,995	15,906	14,685	3,942
Rospatent (Russia)	14	21	4	22	1,355	574
SIPO (China)	115	138	295	496	899	280

Source: WIPO statistics database

Advantages for U.S. Companies of Using KIPO as ISA

When polled, U.S. companies generally cited three factors for choosing KIPO as an ISA - (i) the relatively good quality of their ISRs, (ii) significantly lower costs, and (iii) relatively timely issuance of ISRs. The third factor has presented some challenges in recent years, as discussed in more detail below.

1. Quality

U.S. companies appear to perceive KIPO as offering good value as an ISA, providing satisfactory search results at a reasonable cost. For example, a recent report by *inovia*, a well-known foreign patent filing provider, indicates that surveyed entities have “[g]enerally positive feelings” about their experiences with KIPO (“The 2013 Global Patent & IP Trends Indicator”, *inovia*, page 8). Further, according to an

initial report on quality management systems prepared by KIPO in 2012, all of the PCT examiners at KIPO are required to have expertise in natural sciences and engineering, as well as the necessary language skills to comprehend foreign PCT documents and to prepare ISRs and IPEs in English. KIPO also provides both Japanese-Korean and English-Korean machine translations of foreign patent documents, and KIPO's Patent Search system (KOMPASS) enables patent examiners to conduct full text searches of patent documents from Korea, Japan, China, the U.S., and Europe. KIPO also has access to a wide base of prior art, due to Korean companies' long history of activity in many industries (e.g., semiconductors, telecommunications, and

home appliances), tending to further increase the quality of KIPO's search results.

2. Cost

Among the three most-used ISAs for U.S. PCT applications (EPO, USPTO, and KIPO), KIPO's search fee is generally the lowest, as shown in the table below. However, SIPO (China) and Rospatent (Russia) each charge significantly less than KIPO, which on the surface would suggest that they may have an advantage going forward in attracting U.S. and other foreign applicants to select those offices as ISAs.

Unit: USD (as of Jan. 1, 2013)

EPO	USPTO	KIPO	Rospatent	SIPO
2,545	2,080*	1,212 (in English)	209	343

* for small entity: 1,040; for micro entity: 520

A proper cost-benefit analysis for the prospective applicant also must consider that when filing in multiple countries, search or examination fees upon entry into the national phase are often reduced or waived if the ISR has been

prepared by specific authorities. The following table compiles the relevant information for the EPO, USPTO, KIPO, SIPO and Rospatent:

ISA	Fees at the national phase	Waivers/exemptions
EPO	1,165 Euro [Search Fee]	(i) Full exemption of search fee if EPO has prepared ISR (ii) reduced by 190 Euro if APO (Australia), KIPO, SIPO, JPO (Japan), or USPTO has prepared ISR
USPTO	USD 600* [Search Fee]	(i) reduced to USD 120* if USPTO has prepared ISR (ii) reduced to USD 480* if any other ISA has prepared ISR
KIPO	KRW 130,000 plus KRW 40,000 for each claim [Examination Fee]	(i) reduced by 30% if KIPO has prepared ISR (ii) reduced by 10% if EPO has prepared ISR
Rospatent	RUB 2,450 (for one invention) RUB 1,950 (for each invention in excess of one) [Examination fee]	(i) reduced by 50% if Rospatent has prepared ISR (ii) reduced by 20% if any other ISA has prepared ISR
SIPO	CNY 2,500 [Examination Fee]	(i) Full exemption of the examination fee if ISR and the international preliminary report on patentability have been issued by SIPO (ii) reduced by 20% if JPO, SPRO (Sweden) or EPO has prepared ISR

* small entity: half of the indicated amount; micro entity: a quarter of the indicated amount

(Compiled from the "PCT Applicant's Guide – National Phase – National Chapter" annex for each country, available at <http://www.wipo.int/pct/en/appguide/>, December 10, 2013.)

Assuming a scenario where an applicant (not a small/micro entity) intends to file a PCT application with 25 claims (directed to one invention) without requesting international preliminary examination and to designate all the countries

of the above authorities for national phase entry, the total search cost due to selecting each of the above offices as the ISA can be summarized as follows:

Currency rates as of Dec. 10, 2013

Selected ISA	ISR Fees	Waivers/exemptions at the national stage		Net Costs (ISR Fees – Waivers/ exemptions)
EPO	USD 2,545	EPO USPTO KIPO Rospatent SIPO	full exemption of USD 1,602 USD 120 reduced USD 107 reduced USD 15 reduced USD 82 reduced	USD 619
USPTO	USD 2,080	EPO USPTO KIPO Rospatent SIPO	USD 261 reduced USD 480 reduced No benefit USD 15 reduced No benefit	USD 1,324
KIPO	USD 1,212	EPO USPTO KIPO Rospatent SIPO	USD 261 reduced USD 120 reduced USD 323 reduced USD 15 reduced No benefit	USD 493
Rospatent	USD 209	EPO USPTO KIPO Rospatent SIPO	No benefit USD 120 reduced No benefit USD 37 reduced No benefit	USD 52
SIPO	USD 343	EPO USPTO KIPO Rospatent SIPO	USD 261 reduced USD 120 reduced No benefit USD 15 reduced No benefit	USD -53

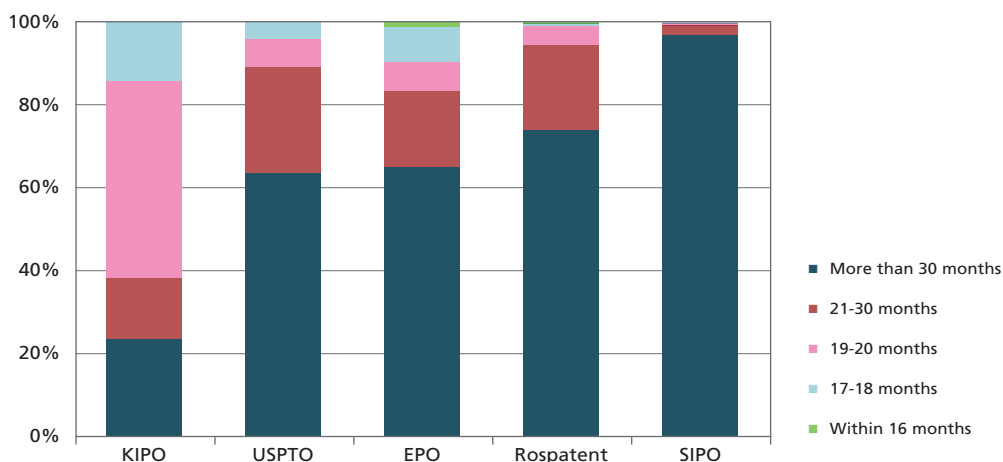
(NOTE: As noted above, this table does not account for the additional discounts or exemptions that may be available by selecting certain ISAs to perform the international preliminary examination as well, which may change the cost-benefit analysis in some scenarios.)

This table helps explain why U.S.-originated PCT applications often select foreign ISAs such as EPO and KIPO rather than USPTO to issue ISRs, particularly if such applications are designated for entry into the national stage before the EPO and/or KIPO. As shown above, for applications that are designated for entry into Europe, the search costs for selecting the EPO as the ISA are comparable to those for KIPO and significantly lower than the USPTO once the national stage search costs are taken into account.

Timeliness and Addressing Challenges for KIPO as ISA

Although timeliness has been cited as a factor by companies for their choice of KIPO as an ISA, in recent years, KIPO's efficiency has suffered as its popularity as an ISA has increased. As recently as 2006, 88% of ISRs issued by KIPO were delivered within 16 months of the application priority date, but compared against other ISAs, KIPO struggled to deliver timely ISRs in 2012.

Timeliness of ISAs in Transmitting ISRs to the International Bureau in 2012

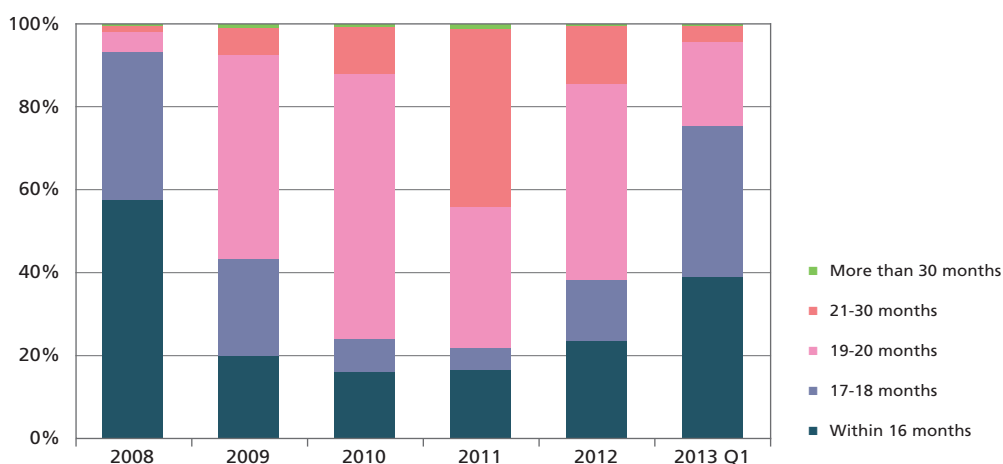


Year	KIPO	USPTO	EPO	Rospatent	SIPO
Within 16 months	23.70%	64.00%	65.30%	73.90%	96.90%
17-18 months	14.80%	25.20%	18.00%	20.70%	2.40%
19-20 months	47.20%	6.70%	7.20%	4.60%	0.60%
21-30 months	14.10%	2.50%	8.20%	0.80%	0.10%
More than 30 months	0.001%	1.60%	1.30%	0.05%	0.01%
Total	29,907	16,336	72,232	1,918	18,221

Source: WIPO statistics database

However, KIPO has recently made substantial efforts to reduce the gap with other competing authorities, which appear to be working. From a 2011 low of issuing fewer than 20% of its ISRs within 16 months, KIPO has recently

made significant strides, with the most recent data from Q1 of 2013 indicating that the 16-month issuance rate is up to nearly 40%.



Further, KIPO's search cost, though still relatively competitive with other popular ISAs such as the EPO and the USPTO, is now being significantly undercut by SIPO and Rospatent, who will likely continue to gain in popularity as designated ISAs in part for this reason (although at present SIPO is not an option as an ISA for PCT applications where the USPTO is the receiving office). On the other hand, Rospatent in particular remains relatively untested in terms

of the quality of their search results, capacity, and efficiency as an ISA. While KIPO will certainly need to continue to improve its timeliness as well as perhaps reconsider its fee schedule to remain competitive as an ISA of choice for U.S.-originated PCT applications, its advantages in terms of search quality and value-for-cost will likely continue to be significant factors for companies selecting an ISA.

Additional Details Announced Regarding Revised Invention Promotion Act

By Mikyung CHOE and Jack Eui-Hwan JUNG

The Invention Promotion Act ("IPA") was recently amended to increase employee rights and encourage employers to pay fair compensation to its employees for employee inventions ("Revised IPA").¹ The Revised IPA went into effect on January 31, 2014.

On October 11, 2013, proposed legislation regarding the Enforcement Decree of the Invention Promotion Act ("Revised Decree") was announced revealing additional details about the Revised IPA. The Revised Decree went into effect with some modifications.

In particular, the Revised Decree provided specifics regarding (1) procedures for enacting and modifying invention compensation programs and (2) procedures for resolving disagreements regarding employee inventions such as the level of compensation.

1. Majority Consulted and/or Consent From Employees Required

The Revised IPA requires employers to consult with its employees when an inventor compensation program is enacted or modified. Further, if the modification is unfavorable to the employees, consent needs to be obtained from the employees before the modified compensation program may be implemented.

More specifically, the Revised Decree specifies that (1) when an employer drafts/modifies its invention compensation program, a majority of the employees that will be affected by the compensation rules must be consulted; and (2) if the modification to the compensation rules are unfavorable to the employees, consent must be obtained from a majority of the employees that are affected by the currently existing compensation rules.

The Revised Decree also specifies that an employer must provide notification to the employees and consult with/obtain the consent of its employees at least 15 days before the compensation rules are adopted or modified.

2. Formation and Operation of the Employee Invention Review Committee

The Revised IPA requires the establishment and operation of an Employee Invention Review Committee ("Review Committee") to review disagreements between the employer and employee regarding employee invention-related matters such as the appropriate level of compensation. If an employee disagrees with the level of compensation, the employee may request that a Review Committee review the matter. After a request has been made, the Review Committee must review the matter within 60 days of the request.

The Revised Decree requires that the Review Committee include at least (1) three "employer committee members" appointed by the employer (or a corporate representative); (2) three "employee committee members" elected by the employees (excluding corporate executives) through a direct/secret/unregistered vote; and (3) one "advising committee member," who is an expert regarding employee compensation programs, appointed through agreement by both parties.²

If a review is not carried out after a request has been made, the employer may be fined up to 10 million won (approximately USD 9,500).

While the recent announcement has clarified some issues, there are still many issues left unclear. For instance, it is unclear how to reasonably include an employer's profits or expected profits into the compensation amount. It is also unclear who can be a proper candidate for the advising committee member position. Thus, we will continue to monitor and provide updates as they become available.

¹ For details of the Revised Invention Promotion Act, please see Kim & Chang Newsletter – Summer/Fall 2013.

² If an employer has less than 30 full time employees, the Review Committee requires a minimum of just 1 employer and employee committee member.

The Patent Prosecution Highway in Korea and Its Strategic Use in Prosecution

By H. Joon CHUNG and Ju Young KIM

In January this year, Korea launched two programs to expedite patent prosecution:

- i) The Global Patent Prosecution Highway (“GPPH”), along with sixteen counterpart patent offices (Australia, Canada, Denmark, Finland, Hungary, Iceland, Israel, Japan, Norway, Portugal, Russia, Spain, Sweden, the UK, the U.S., and the Nordic Patent Institute); and
- ii) The IP5 PPH, for three years, with the European Patent Office (EPO), Japan (JPO), China (SIPO), and the U.S. (USPTO) (together with Korea (KIPO), known collectively as the IP5 Offices).

The purpose of both programs is to simplify the existing system, which consists of multiple bilateral agreements, by replacing it with a single set of qualifying requirements and permitting an applicant to use one unitary system across multiple jurisdictions.

The Framework of the PPH Programs

Under the previous bilateral framework, an applicant may have encountered difficulties in expediting examination in multiple countries. In Korea, expedited examination under the bilateral program was permitted only if the application filed in and allowed by the partner’s patent office was a priority application, or “first application.” For example, under the Korean-U.S. bilateral program, if the first application was filed in the U.S., an allowed Japanese counterpart of the first application could not trigger expedited prosecution in Korea, even though Japan also had a bilateral agreement with Korea. The GPPH and IP5 programs, however, are intended to address this issue by standardizing and streamlining the requirements of the existing bilateral PPH programs — in the example above, the Japanese counterpart would now be eligible to expedite examination in Korea.

Both the GPPH and IP5 programs allow applicants to request expedited examination at any of the participating offices if their application claims have been found to be acceptable by any of the other offices involved in the pilot. The specific requirements are:

- All the applications involved must have the same priority date;

- At least one claim in an application filed with the first or previous examining office (Office of Earlier Examination (“OEE”)) must have been determined to be allowable;
- Substantive examination at the second or later examining office (Office of Later Examination (“OLE”)) generally must not yet have started;
- A request for substantive examination must be filed with the OLE prior to or at the same time as the PPH expedited examination request; and
- All claims presented for examination at the OLE must sufficiently correspond to the claims found allowable by the OEE.

A claim in the OLE which introduces a new or different category of claims to those claims found allowable in the OEE is not considered to sufficiently correspond. For example, where the OEE claims only claim a process of manufacturing a product, if the OLE claims include product claims that are dependent on the corresponding process claims, then the claims in the OLE are not considered to sufficiently correspond.

Procedurally, when filing a request for expedited examination under the GPPH or IP5 pilot, an applicant must submit (i) a PPH request form, (ii) the OEE’s notice of patentability of the claims, and (iii) a copy of the claims of the OEE application. The OLE may seek additional materials, including a list of any prior art references cited in the OEE’s examination, to verify the request.

Prosecution Strategies

According to statistics at the JPO¹, the grant rate for an expedited patent application is significantly higher than for one undergoing normal prosecution:

¹ See <http://www.jpo.go.jp/pph-portal/statistics.htm>.

Bilateral PPH Data between January and June 2013

	U.S.	Korea	Japan	UK	Canada	Australia
Grant Rate (%)	86 (53)	88.6 (65.6)*	75 (69)	100	91 (65)	100**
First Action Allowance Rate (%)	25.7 (15.2)	33.5 (10.7)*	22 (15)	7.1	42 (5.1)	50
Average Number of Office Actions	TBD (2.5)	0.75	1.0 (1.1)	1.1	0.7 (1.5)	0.5

() – Data for all applications including PPH and non-PPH

* Reference statistics are based on the 2012 data

** 100% includes acceptance, withdrawal or abandonment, but not refusal.

The statistics above imply that an expedited application may be less scrutinized than normally-prosecuted applications. As such, applicants should consider utilizing the GPPH or IP5 option as a strategic tool for enhancing global patent positions. We recommend the following when expediting examination under these two programs:

i) **Choose the “right” OEE** – As indicated, allowance at the OEE may strengthen the patentability claim of an expedited application at the OLE. However, allowance by an OEE that is perceived to be lax in its examination (e.g., more lenient patentability standards or lower examination quality) may not achieve the desired effect of smoother prosecution at the OLEs. Indeed, the examiners at an OLE may be dismissive of allowance at such an OEE, and may exercise more scrutiny. In contrast, applicants may be able to leverage allowance by the “right” OEE to achieve broader claim scope and a shorter file history, in addition to shortening the length of examination, thereby saving costs and unnecessary (and potentially compromising) paper trails.

ii) **Consider the legal standards and related provisions in respective jurisdictions** – Obviously, prosecution strategies involving expedited examination must consider jurisdictional quirks, including:

a. *Patentability standards* – The patentability standards of some jurisdictions are stricter than others. For example, the Far East patent offices typically require more working examples than their U.S. or European counterparts. Without sufficient support, KIPO or JPO would likely narrow a generic claim, commensurate with the disclosed working examples—for instance, a chemical claim is usually narrowed to claim specific substituents instead of generic functional groups. Applicants should be mindful

of the support requirements when choosing KIPO or JPO as the OEE.

b. *Regulatory and legal provisions* – Applicants should be aware of applicable legal and regulatory provisions related to expedited examination in various jurisdictions. For example, an earlier grant of a patent may lengthen the patent term in Korea. Similar to some other jurisdictions, an applicant may seek a patent term extension (PTE) for the duration of clinical trials and regulatory review in Korea. The Korean regulatory body, however, does not credit any of the eligible duration prior to the grant of a patent towards PTE. Therefore, applicants may benefit from expediting examination to achieve the earliest grant and to ensure maximum PTE in Korea.

iii) **Strategic prosecution** – Instead of pursuing examination on an *ad hoc* basis, reacting to examination deadlines in various jurisdictions, applicants should actively oversee prosecution, slowing or accelerating examination at the OLEs, in step with the examination progress at the OEE.

Under the two expedited prosecution programs, we expect that applicants will be able to obtain patent rights in participating countries faster and more efficiently, and that requests for expedited examination will increase accordingly.

Restrictive Covenants from Exclusive Patent License Agreements Must Be Recorded with KIPO

By Mikyung CHOE and Tae Min KIM

Exclusive patent licenses may sometimes come with certain restrictive covenants (e.g., certain sales territory, exclusive period, place of manufacturing, or products). However, these restrictive covenants must be recorded with the Korean Intellectual Property Office ("KIPO") in order to be enforceable through patent laws.

In other words, if an exclusive licensee breaches an unrecorded restriction, the patentee may not seek enforcement through a patent infringement action. Instead, the patentee must rely only on remedies available for breach of contract. Significantly, criminal sanctions or injunctions may not be as readily available in a breach of contract claim.

The Supreme Court affirmed this legal principle in a recent patent infringement action filed against an exclusive licensee. In this case, the exclusive license along with several restrictive covenants were recorded with KIPO (e.g., exclusive period, territory of exclusivity, and the rights to manufacture, sell, lease, import and offer to sell, products covered by the license). However, the patentee failed to record the requirement that the exclusive licensee not use the patent without obtaining prior approval from

the patentee. The patentee subsequently filed a criminal complaint against the exclusive licensee arguing that the Patent Act was violated since the licensee used the patent without obtaining prior approval from the patentee. Since the requirement for seeking prior approval was not recorded with KIPO, the Supreme Court found that the restrictive covenant had no effect under Korean patent law (Article 101, paragraph 1). Thus, the Supreme Court held that there was no patent infringement.

This decision has solidified the importance of properly recording all restrictive covenants from exclusive licenses as a prerequisite condition for taking effect under Korean patent law.¹ Accordingly, we recommend that all recordable restrictions from an exclusive license be carefully recorded with KIPO so that the patentee will have the option of bringing a patent infringement action if the licensee breaches the restrictive covenant.

¹ Please note that some restrictive covenants may not be recordable with KIPO. There are no published guidelines regarding covenants which are not recordable. However, in general, covenants inconsistent with the rights and obligations of the patent law are not recordable.

Proposed Amendments to the Korean Trademark Act

By Sung-Nam KIM and Nayoung KIM

The Korean Intellectual Property Office ("KIPO") has recently proposed some significant changes to the Korean Trademark Act ("TMA"). If passed by the National Assembly, KIPO hopes to have the proposed amendment go into effect as of July 1, 2015. Among the many changes suggested by KIPO, we have outlined the more notable ones below.

1. Acknowledging "Electronic Use" of a Trademark

Article 2(1)(vi) lists the types of uses that may be considered "use of a trademark" under the TMA. At present, these do not include "electronic" uses (such as on the internet or other similar platforms). While the development of e-commerce and other electronic services has led courts to judicially recognize such electronic uses of trademarks in specific cases, the proposed amendment to the TMA will explicitly include "use in an electronic manner" as one of the statutory types of trademark use.

2. Facilitating Trademark Registrations

(a) Proving secondary meaning will become easier.

The current TMA permits registration of a trademark lacking distinctiveness if the mark has acquired secondary meaning, but only if the applicant can show that consumers are "easily" able to recognize the trademark as a source identifier. The proposed amendment lowers this standard so that "easily" is deleted from the language of the TMA, showing greater respect for the goodwill of trademarks that already function as source identifiers in the marketplace.

(b) More trademark choices for new market entrants.

A potential applicant currently must wait a year before registering a mark similar or identical to a registration that recently has been expunged from the register. The purpose of this rule is to protect consumers from any potential confusion. However, the proposed amendment eliminates this one year wait, giving new market entrants more choices when selecting their desired trademarks.

(c) Prior users will be given priority in same-day filings.

Currently, where multiple applications are filed on the same day for the same mark, if the applicants cannot agree among themselves which application has priority, a lottery is held to decide the issue. The amendment gives priority to the applicant that first used the subject mark before conducting a lottery.

(d) Consent letters will be accepted.

KIPO currently does not permit a junior trademark applicant to obtain a registration for an existing mark even if a letter of consent from the senior registrant is submitted consenting to the registration grant. However, in order to harmonize with global trademark standards, the TMA will be amended to recognize such consent among the parties, as long as granting registration for the junior trademark will not create confusion among consumers.

(e) Marks that may cause dilution will be denied registration.

Trademarks that create consumer confusion with famous marks are not allowed to be registered under the TMA. The amendment also prevents the registration of marks that may potentially dilute a famous mark.

(f) Unfair applications will be denied registration.

In addition to currently-recognized grounds for denial, the proposed amendment provides that a registration may be denied on the basis that the application is unfairly made or lacking in good faith. For instance, an application may be denied where the applicant obtained knowledge of the mark from the original or bona fide owner through an agreement, transaction, or other relationship and contrived to register the mark before the owner was aware of the application.

3. Changes in Filing Requirements, Effective Dates of Cancellation Actions

Currently, a petitioner has legal standing to initiate a non-use cancellation action only in certain situations where the petitioner has a specific legal interest affected by the trademark, such as if he/she either is engaged in business in the same industry as the trademark registrant or owns an application that is similar or identical to the trademark.

However, the proposed amendment will ease matters for new market entrants by eliminating the standing requirement, thus potentially creating a larger pool of available trademarks by making it easier to cancel unused marks. The proposed amendment also makes it more difficult for a registrant to produce evidence only of token use to oppose cancellation by providing that any evidence of use dated less than three months prior to a cancellation petition will be disregarded.

Moreover, the proposed amendment expands the retroactivity of non-use cancellation decisions. Under the previous law, such decisions were not retroactive at all, and they have been already partly retroactive since October 6, 2013 (provisions regarding applicability need to be kept in mind).

4. Invalidation Actions - Statute of Limitations

Invalidation actions may be filed based on several grounds, including similarity to a senior registered mark, or the fame of a prior used mark. While there is generally no

set deadline to file invalidation actions as to most bases, currently, actions based specifically on similarity must be filed within five years of the registration of the adverse mark. With a view to protecting the current market status, the proposed amendment implements a five-year statute of limitations for invalidation actions based on fame also, consistent with the statute of limitations for actions based on similarity.

5. No Damages for Trademarks Not in Use

The Supreme Court previously issued a decision denying damages to a trademark owner due to its failure to use the mark on the designated goods, despite the existence of trademark infringement. The proposed amendment will incorporate this decision into the TMA by expressly denying a trademark owner's claim for damages if the subject registration is not in use, discouraging parties from registering marks without an intent to use and then later demanding infringement damages or royalties from third parties.

Changes to the Trademark Examination Guideline

By Young Joo SONG and Nayoung KIM

The Korean Intellectual Property Office ("KIPO") has recently announced changes to the Trademark Examination Guideline ("Guideline"). These changes went into effect on January 1, 2014. The Guideline is used by KIPO examiners when reviewing trademark applications, and some of the key changes are discussed below.

1. Two Letter Marks

Article 6(1)(vi) of the Korean Trademark Act ("TMA") prohibits the registration of marks that are "simple and common." Under the previous Guideline, marks consisting of two alphabet letters were considered to fall within this provision, and thus, applications for those marks were rejected unless applicants were able to prove secondary meaning. However, the Guideline now allows the registration of two letter marks if they are perceived as a source identifier for any goods/services of a particular entity in the marketplace (for example, "LG" and "HP" would be recognized as distinctive under the revised Guideline). Acquired distinctiveness does not have to be established for such marks.

2. Secondary Meaning

The revised Guideline eases the standard for proving secondary meaning of a trademark. The amendment clarifies that the standard for acquired distinctiveness based on use does not have to rise to the level of a famous or well-known mark. Rather, it is now sufficient to prove that the mark is recognized as a source identifier for a specific entity in the marketplace for the designated goods/services. For certain type of goods, such recognition can even be limited to a particular region.

KIPO also has been very strict in the past with respect to what type of evidence could be submitted to prove the acquisition of secondary meaning of a certain mark. The mark as used had to be identical to the mark for which the acquisition of secondary meaning was claimed, and the products/services in connection with which the mark was used had to be identical to the designated goods/services. In its revised Guideline, KIPO indicates it will adopt a more flexible approach and accept evidence of the mark as used or of the products/services used with the mark even if they

are not exactly identical to the claimed mark or associated designated goods/services, as long as they are nearly identical.

3. Imitation Marks

The Guideline now specifically prevents the registration of marks that incorporate words or names made famous by or through the media, which includes the internet. For example, marks that include the names of celebrities, musicians, or athletes, etc., will be denied registration. This rejection ground also includes marks that consist of catch phrases or slang made popular by or through the media, as well as words confusingly similar to the names of television and broadcast shows and the like.

The Guideline also indicates that where an applied-for mark is claimed to imitate a famous mark or a mark incorporating famous words, even if the applied for goods/services may not be closely related to the cited goods/services connected with the claimed imitated mark, the examiner will review the relationship between the compared goods/services broadly if the cited mark is a coined mark or is substantially similar or identical to the pending application. The amendment is based on the assumption that such an applicant must have been aware of the existence of the earlier mark.

4. Mark Information

Previously, only obvious errors in the description of goods and services for a mark were correctable by an applicant. However, the Guideline has been revised to permit amendments to correct obvious errors in the mark itself. For example, a mark that erroneously includes a state flag or international organization emblem may be modified.

5. Agents or Representatives of Trademark Owners

According to the TMA, an "agent" or "representative" of an entity which owns a mark protected in a foreign country (that is a member of an international treaty such as the Paris Convention, the Madrid Protocol, etc.) is not allowed to register a mark identical or similar to that entity's mark within one year after the termination of the agency relationship. The Guideline has been amended to extend the notion of "agent" and "representative," as it is not uncommon for former agents and representatives to try to circumvent this rule. Under the revised Guideline, if an applicant for such an identical or similar mark has a business relationship with such a former agent or representative, KIPO will be able to reject the application (or cancel the registration) pursuant to this rule. Therefore, an application filed by an employee of a former agent will be treated as if it had been filed by the agent itself and may be rejected for that reason. Similarly, if an application

is filed by another company owned by a former agent or which is represented by the former agent, the application may also be rejected for this reason.

6. Intent to Use

In March 2013, lack of intent to use was added as a possible rejection ground in the TMA. Initially, KIPO had indicated in their Guideline that it would generally require the submission of proof of intent to use where an application designated more than five classes (as well as in certain other contexts). However, this created a loophole because applicants would avoid the required submissions simply by dividing their applications so that each filed application designated less than five classes. In view of the ineffectiveness of this particular guideline, KIPO has decided to delete it from the list of examples of cases when evidence of intent to use should be submitted.

trademark - trademark - 트레이드마크

By Alexandra BÉLEC and Su Yeon CHUN

Reversing a long-held position, the Supreme Court of Korea *en banc* recently ruled that the use of only the English portion (or equally, only the Korean transliteration portion) of a registered English/Korean transliteration combination mark constituted use of the mark as registered (Case No. 2012Hu2463, rendered on September 26, 2013).

Prior Strict Standard

Until now, Korean courts cancelled English/Korean combination mark for non-use, if the registrant was only able to prove use of only one of the two portions of the mark.

The below are two examples of past Supreme Court decisions (Case No. 2003Hu1437, August 20, 2004 and Case No. 92Hu698, December 22, 1992) in which the marks as used were not recognized as constituting a valid use of the marks as registered. The registered marks were ultimately cancelled.

Mark as registered	Mark as used
<p>HEALTH MATE 헬스 메이트 <small>(HEALTH MATE with its Korean transliteration)</small></p>	
<p>티파니 TIFFANY <small>(TIFFANY with its Korean transliteration)</small></p>	<p>티파니 <small>(TIFFANY in Korean transliteration)</small></p>

New position of the Supreme Court (September 2013)

Reversing its previous firm stance, the Supreme Court ruled that, although the attacked registration for the **CONTINENTAL** **콘티넨탈** mark (*CONTINENTAL with its Korean transliteration*), covering rubber V-belts, had not been used in its bilingual registered form, the use of the CONTINENTAL portion only on the designated goods, as shown below, was sufficient to save the registration from cancellation.



The Supreme Court justified its decision on the basis that Korean consumers are nowadays more accustomed to English words and can easily understand that the Korean portion of such combination marks are in fact a mere transliteration of the English portion, having the same meaning and pronunciation.

Thus, as long as the two portions of a registered combination mark have the same meaning and pronunciation, cancelling a registration simply because only one portion was used, ultimately would be a disservice to consumers who understand that the mark as used or as registered refers to the same source.

A Defeat for Cybersquatters

By Alexandra BÉLEC and Young Joo SONG

The Supreme Court of Korea confirmed that the lack of fame of a trademark in Korea could no longer be used as an excuse by cyber squatters in cases involving top level domain names, including .com, and .org (Case No. 2011Da577661, rendered on September 12, 2013). Korean cyber squatters often argued in civil actions filed under the Korean Internet Address Resource Act ("IARA"), that the foreign owner of a famous trademark abroad did not own legitimate rights to demand the transfer or de-registration of a domain name, if the mark was not also famous in Korea.

Cheerleaders and adult content website

In the specific case before the Supreme Court, the Korean registrant had registered the domain name www.nca.com and was seeking a confirmatory judgment that the US entity, owner of the NCA trademark, famous in the United States, did not have legitimate rights. NCA is the abbreviation of the National Cheerleaders Association and is famous in the United States in connection with the organizing of cheerleading camps as well as the sale of cheerleader related clothing. The US entity did not own any trademark registrations in Korea and could not prove fame in Korea.

However, the bad faith of the registrant in this case was blatant. Under the www.nca.com domain name,

the registrant had set up various keywords referring to cheerleading and offered links to the website of a competitor of the US entity as well as an adult content website. Also, the domain name registration had been obtained after the US entity had obtained a registration for the NCA trademark in the US.

Lack of fame in Korea: not the only criteria

The IARA provides that a party who has legitimate rights to a domain name may seek de-registration or transfer thereof against another party who registers, maintains or uses the same for bad faith purposes.

Until now, even if a foreign entity owned a famous trademark, if this trademark was not also well-known in Korea or registered in Korea, it was difficult to convince Korean courts that the foreign owner had legitimate interests in a domain name comprised of or including such trademark under the IARA.

With this decision, the Supreme Court confirmed that, although the lack of registration or fame in Korea are important elements to be taken into consideration, these facts alone are not sufficient to rule that a party does not have any legitimate interest to a domain name in Korea. Fame abroad may be sufficient, especially if the bad faith can clearly be established as in this case.

New Hurdle for Trademark Infringers

By Jason J. LEE and Won Joong KIM

In a surprising decision, the Supreme Court, upholding the Daegu High Court's ruling, recognized for the first time the existence of a presumption of negligence on the part of the infringer in cases of trademark infringement (Case No. 2013Dah21666, rendered on July 25, 2013), making it easier for plaintiffs to recover damages for infringement. While the Patent Act, Utility Model Act, and Design Protection Act all explicitly provide for such a presumption, the Korean Trademark Act does not (although it does provide for a presumption of willfulness in certain cases).

The Supreme Court reasoned that trademark registrations are public and that knowledge thereof should be available to any person exercising ordinary care. Therefore, the Court held that it is not unfair to impose upon businesses a duty of care to avoid infringing registered marks when using a mark in the course of their trade.

In order to rebut the presumption of negligence, a defendant must either provide a justifiable reason for being unaware of the registered mark, or a justifiable reason for believing the mark it was using did not fall under the scope of protection of the registered mark. Notably, in the specific case reviewed by the Supreme Court, the defendant actually had obtained a registration for its infringing mark, but the fact that the infringing mark had been registered was not recognized as a justifiable reason sufficient to rebut the presumption since the infringing mark was later retroactively invalidated.

It remains to be seen how this decision will be interpreted by future courts, particularly with respect to what constitutes a justifiable reason sufficient to rebut the presumption of negligence in trademark infringement cases.

FIRM NEWS

AWARDS & RANKINGS

Kim & Chang won highest number of awards at ALB Korea Law Awards 2013

Kim & Chang won the highest number of awards (eight) at ALB's inaugural annual Korea Law Awards held in Seoul on November 14, 2013. The firm received the awards in the following categories:

Firm Categories – Only winner

- Korea Law Firm of the Year
- Deal Law Firm of the Year
- Banking and Financial Services Law Firm of the Year
- Dispute Resolution Law Firm of the Year
- **IP Law Firm of the Year**
- Managing Partner of the Year: Kye Sung Chung

Deal Categories – Co-winner

- Debt Market Deal of the Year: Doosan Infracore Co's Senior Capital Securities Offering
- Equity Market Deal of the Year: Acquisition of Equity Shares of ArcelorMittal Mining, Canada

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.

Kim & Chang recognized as top-tier law firm in all 14 areas in The Legal 500 Asia Pacific 2014

Kim & Chang has been recognized as a top-tier law firm in all 14 practice areas surveyed by The Legal 500 Asia Pacific 2014. Kim & Chang is the only law firm in Korea to receive top rankings in all of the following categories:

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

In addition, 12 Kim & Chang professionals were named as "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 is designed to provide corporate counsel with independent research and analysis into law firms' capabilities. In addition to the Asia Pacific edition, The Legal 500 series is a set of annual, independent guides, published by Leagalease, that rank firms and individuals based on in-depth research and interviews with corporate counsel from around the globe.

Kim & Chang highly recommended for 13 practice areas in Asialaw Profiles 2014

Kim & Chang has been included among the highly recommended law firms in Korea in Asialaw Profiles 2014. The firm is recognized in the following 13 practice areas:

Banking & Finance, Capital Markets, Competition & Antitrust, Construction & Real Estate, Corporate/M&A, Dispute Resolution, Insurance, **Intellectual Property**, IT, Telco & Media, Labour & Employment, Restructuring & Insolvency, Shipping, Maritime & Aviation, and Tax

In addition, 17 Kim & Chang professionals have been 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 is a guide to Asia Pacific's leading law firms published by Legal Media Group of Euromoney Institutional Investor PLC. Asialaw Profiles determines its rankings through in-depth research and interviews with lawyers and law firm representatives.

Kim & Chang professionals recognized in Asialaw Leading Lawyers 2013

22 Kim & Chang professionals have been recognized in the 2013 edition of Asialaw Leading Lawyers. The Kim & Chang lawyers selected in the Intellectual Property category are **Yeon-Song Kim, Man-Gi Paik, Chun Y. Yang, and Jay Young-June Yang**.

Asialaw Leading Lawyers is researched and published by Asia Law & Practice, a wholly owned subsidiary of Euromoney Institutional Investor PLC. It is one of the largest annual surveys of Asia Pacific-focused private practitioners and a comprehensive resource for corporate counsel around the world.

Kim & Chang ranked among top trademark firms in WTR 1000 2014

Kim & Chang has once again been recognized as one of the top trademark law firms in Korea by World Trademark Review (WTR), earning a top "Gold Band" ranking in the categories of Enforcement & Litigation and Prosecution & Strategy in the fourth edition of WTR 1000.

In addition, five Kim & Chang attorneys – **Jay Young-June Yang, Ann Nam-Yeon Kwon, Sung-Nam Kim, Alex Hyon Cho, and Alexandra Bélec** – were individually recognized as leading individual practitioners.

WTR 1000 is the first and only definitive guide exclusively dedicated to identifying the world's leading trademark professionals. Their rankings are based on in-depth research and interviews with hundreds of trademark specialists across the globe.

Jay Young-June Yang named to Asia IP's "50 litigators you should know"

Jay Young-June Yang has been named among the "50 IP litigators you should know" by Asia IP in its September 2013 issue. It is noted that "Mr. Yang is one of South Korea's top IP litigation attorneys thanks to his extensive knowledge of IP and his tailor-made litigation strategies for clients."

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.

Kim & Chang named Copyright Firm of the Year for Korea at 2013 Asia IP Awards

Kim & Chang has been named "Copyright Firm of the Year for Korea" at the 2013 Asia IP Awards. The ceremony was held in Hanoi on October 18, 2013, and **Casey Kook-Chan An**, a senior patent 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

2013 Korea-US IP Judicial Conference in Seoul on October 21-22, 2013

The 2013 Korea-US IP Judicial Conference was held in Seoul on October 21-22, 2013. The conference was organized by the Patent Court of Korea, the Korean Intellectual Property Office, and the U.S. Court of Appeals for the Federal Circuit. As a sponsoring firm, five attorneys from Kim & Chang's IP Group actively took part in the conference as discussion leaders, moderators, and presenters.

In the "Panel Discussion - Section 337" session, **Duck-Soon Chang**, as moderator, facilitated discussions among all participants on the role of the ITC and the KTC commissioners in the IP sector. **Seong-Soo Park** co-moderated the "En Banc Session of the Courts" session, and **Yu-Seog Won** participated as an attorney for the plaintiff in the "Korea Mock Trial." In addition, **Sung-Jai Choi** and **Mee-Sung Shim** presented during a parallel seminar on the topics of "Patent and Fair Trade" and "Patent-Approval Linkage System," respectively.

Consisted of panel discussions with judges from each nation, parallel seminars, mock trials, a session for views from the heads of the Korean Intellectual Property Office and the United States Patent and Trademark Office, etc., the conference provided a premier venue for networking with experts in the field, and also helped to enhance the understanding of differences between the US and Korean legal systems and litigation practices regarding IP rights.

IP Service World 2013 in Munich on November 25-26, 2013

Duck-Soon Chang and **Jay J. Kim** from our IP Group spoke at the IP Service World 2013 Conference in Munich on November 25-26, 2013. Mr. Chang presented on "Weighing Strategic Options for Enforcing Korean Patents" during the "IP Exploitation & Infringement" lecture panel session, while Mr. Kim spoke on "Obtaining Enforceable IP in Asia."

The event was organized by Management Circle AG and sponsored by several firms, including Kim & Chang. Now in its fourth year, the conference is described as "Europe's leading information and networking platform for professional IP management."