

CPI's Asia Column Presents:

Overview of Intellectual Property Policy and Law of Korea in 2017

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I. OVERVIEW OF LEGISLATION AND POLICY IN 2017

(1) In the field of industrial property rights, the most significant legislative change in 2017 is the implementation of the patent cancellation system and the shortening of the patent review filing period.

In terms of policy, policies for strengthening the competitiveness of intellectual property of small and medium-sized enterprises (SMEs) were newly implemented. Hence, the Korean Intellectual Property Office (KIPO) has selected SMEs with high export growth potential as global intellectual property companies starting in 2017, and have started to provide customized support according to the needs of the company. In addition, in order to strengthen standard patents, policies to support research and development, standardization strategies and standard patent strategies have been put in place to promote the capacity of SMEs that have top-class technology capable of international standardization. In terms of tax benefits, when SMEs acquire external technologies such as patents, the tax credit for technology acquisition costs have increased from 7% to 10%. Further, policies to promote employee inventions by expanding the scope of non-taxable items to the application, registration and execution of employee invention compensations have been implemented. Previously, non-taxation was limited to patent registration compensation. As part of public service enhancements, the number of intellectual property courses offered for free at the KIPO Training Center was expanded from the current 5 courses to 11 courses. Credits earned in these courses may be used towards graduation credits at certain universities.

KIPO set policy initiatives to support securing intellectual property in the fields of artificial intelligence (AI) and internet (IoT) as a priority task in 2017 to prepare for coming of the 4th industrial revolution. KIPO also implemented a so-called 'intellectual property data gift system' starting May 1, 2017 which provides data on patent publications for free to promote business start-ups using intellectual property information and corporate growth.

Since 2015, KIPO has been organizing technology exchange events in each technology field and has actively promoted intellectual property transactions by engaging companies, universities, research institutes and technology trading experts. In 2017, the network was expanded to 8 technology fields including bio, materials, energy and telecommunications.

KIPO has operated a 'multi-year (2-year) guarantee of IPR litigation insurance' program since September 13, 2017 in order to help export companies deal with international intellectual property disputes. In the past, there was only 1-year insurance programs available. 'Intellectual property litigation insurance' is an insurance that guarantees expenses related to litigation and legal representation when an IPR dispute occurs overseas.

(2) In the field of copyright law, significant legislative changes in 2017 include the collection of performance fees in stores such as cafes and health clubs. In terms of policy, the Ministry of Culture, Sports and Tourism has established a 'government-civil agency partnered infringement response system' centered on the Korea Copyright Commission (KCC) starting in September 2017, and enforced policies that strengthen the 'process of notifying infringement according to protection request by the right holder'. This partnership system includes online service providers and interest groups. The infringement notification process is initiated when KCC receives a request for protection regarding illegal work from the right holder and notifies the online service provider to delete such work. Due to the establishment of the new system, the duration of such process has been reduced from 2 weeks to 2 days.

In addition, the Ministry of Culture, Sports and Tourism has decided to extend the 'dismissal of juvenile copyright infringement complaints' program by 1 year until 2018. According to this program, a copyright infringement by a juvenile who has no history of violation will be dismissed without investigation (limited to 1 time) if it was accidental. This program was introduced in 2009 in order to prevent abuse

of juvenile copyright infringement claims brought by copyright agents, and has been extended every year since on 1-year terms.

II. LEGISLATIVE AND JUDICIAL TRENDS IN EACH FIELD

(1) There have been no significant amendments in the field of patent law in 2017 but there were important changes that were legislated in 2016 and put into effect in 2017.

The Patent Act revised as of March 21, 2017 and effective on September 22, 2017 stipulated the marking of the word “patent” and the patent number on patented products, and the marking of the word “patent application (in review process)” and the application number on products for which patents are applied for (Article 223 of the Patent Act). This was to provide clear information to consumers.

Several new systems were introduced in the Patent Act revised as of February 29, 2016 and effective on March 1, 2017. Measures to prevent defective patents were the most important among these. In the past, patent invalidation trials were the only measure available to invalidate defective patents under the Patent Act of Korea. Since patent invalidation could only be filed by interested parties, they were not utilized frequently. The review handling period of KIPO is one of the fastest in the world, but the number of examinations per examiner is excessive, raising concerns regarding patent quality. In addition, it is difficult to conduct a thorough search of similar technical information for a review due to the surge of technical information around the world. Hence, the revised Patent Act introduced a patent cancellation application system (Article 132.2 of the Patent Act) so that defective patents can be revoked early on. According to this provision, anyone can cancel a patent through the Patent Tribunal if he provides a legitimate reason for patent cancellation within 6 months of the publication of a patent right. This is similar to the Ex Parte re-examination system of the U.S. or the appeal system of the European Patent Office (EPO) and Japan.

If an examiner finds a clear reason for rejection after a patent decision, he can cancel the patent decision and re-examine the patent under the ‘Direct Investigation Re-examination System’ (Article 66.3 of the Patent Act). However, this is only possible until registration for the sake of patent right stability. The Patent Offices of the U.S. and Europe operate similar systems.

In addition, the limitation of the application period for a legitimate right holder to be granted the application date of the illegitimate right holder retroactively (2 years from the date of registration) was deleted (Article 35 of the Patent Act). If an illegitimate right holder is granted a patent, the legitimate right holder can request transfer of the patent right (Article 99.2 of the Patent Act). This is intended to minimize the damage of legitimate right holders and strengthen protection for them.

In the past, in order to receive a patent examination in Korea, one needed to file a request for examination within 5 years from the application date. But there was criticism that the examination request period was too long compared to other countries, and the period was shortened to 3 years (Article 59 of the Patent Act). A program that allowed an examiner to order submission of technical information used in the examination of the first country was introduced when reviewing patents for a patent application based on an application of another country (Article 63.3 of the Patent Act).

The Patent Act revised as of December 2, 2016 and effective on June 3, 2017 changed the preceding technology investigation expert agency from a ‘designation system’ to a ‘registration system’ (Article 58 of the Patent Act). This intended to enhance the quality of services by strengthening competition in the preceding technology investigation market. In 2016, 3 specialized agencies were designated by KIPO to monopolize preceding technology investigation work. However, as of 2018, 9 specialized agencies are providing such services.

Significant cases in the field of patents include a case in which the Supreme Court ruled that even if there is reason for an employee invention to be invalidated, that does not mean that the company is exempt from an obligation to compensate the employee and can be used in calculating the amount of compensation (Supreme Court Judgment in Case No. 2014Da220347 delivered on January 25, 2017). In a scope of rights trial, the so-called ‘free-to-work’ technology defense was held to still apply when the invention (subject of the trial) turns out to a so-called ‘literal infringement’ in which the subject invention shows organic synthesis with all the elements that appear in the patent invention filing (Supreme Court Judgment in Case No. 2016Hu366 delivered on November 14, 2017).² In addition, to avoid negating the progressiveness of inventions, all sub-concepts included in a subject invention need to have qualitatively different effect from the effect of the preceding invention, and if not qualitative difference, distinct quantitative difference. Such effects compared to the preceding invention need to be clearly stated in detail in the description of the subject invention. For such description, quantitative descriptions confirming that there is qualitative difference or showing distinct quantitative difference need to be included in detailed explanations of the invention (Supreme Court Judgment in Case No. 2014Hu1631 delivered on May 11, 2017). In one case, the Supreme Court held that for the progressiveness of a medical invention regarding particular intake methods and dosages to be recognized, the remarkable or heterogeneous effects of the invention that ordinary technicians could not anticipate need to exist (Supreme Court Judgment in Case No. 2014Hu2702 delivered on August 29, 2017). In another case, the Supreme Court ruled that it is sufficient if even a part of it has remarkable effects in a heterogeneous or quantitative manner compared to the preceding invention for progressiveness to be acknowledged (Supreme Court Judgment 2014Hu2696 delivered on August 29, 2017). Lastly, when an application was filed with the Food and Drug Administration for a medical invention according to the Pharmacist Act, and the Food and Drug Administration requests that the applicant supplement the examination data, causing the review to stall during that period, the term of the patent’s validity needs to be extended to the entire period from the date of application to the date the application was finally granted (Supreme Court Judgment in Case No. 2017Hu844, 851, 868, 875 delivered on November 29, 2017).

(2) There were no meaningful legislative changes in the field of trademark law. There was, however, an amendment that increased the fines for false markings (Article 232~234 of the Trademark Act).

Important cases relating to trademark law include a judgment that acknowledged the acquisition of distinctiveness based on use even when the trademark did not originally have distinctiveness but was used in combination with other letters (Supreme Court Judgment in Case No. 2015Hu2174 delivered on September 12, 2017). This case is thought to show the court’s leanings in issues of acquisition of distinctiveness, gradually relaxing the criteria for acquisition of distinctiveness by use. In another case, in connection with a registration cancellation trial due to non-use, the Supreme Court ruled that advertising a trademark in the margins of a newspaper advertisement for other goods 1 month immediately prior to a cancellation suit being filed would be considered a nominal use to avoid the cancellation of the unused registration (Supreme Court Judgment in Case No. 2015Hu2006 delivered on June 29, 2017). When a trademark includes a critical part, the Supreme Court ruled that similarity can be determined by comparing the critical part whether or not such part can be separated (Supreme Court Judgment in Case No. 2015Hu1690 delivered on February 9, 2017). Lastly, the Supreme Court ruled that if a part of a trademark is registered related to identical or similar goods (to the designated good), that part can be considered to not have distinctiveness (Supreme Court Judgment in Case No. 2015Hu932 delivered on March 9, 2017).³

In a lower court case, the court held that even if the name of a city located in North Korea is mentioned in the textbooks of elementary, middle and high schools in Korea, such name cannot be said to be a distinctive geographical name widely known to general consumers or traders (Patent Court Judgment in Case No. 2016Hu8841 delivered on May 12, 2017). The Patent Court also ruled that if ‘Hyundai’ is

registered designating cars, construction and insurance as its designated goods, registering 'Hyundai' with funeral services as a designated good does not create confusion (Patent Court Judgment in Case No. 2017Hu3171 delivered on November 2, 2017). Lastly, the Patent Court ruled that if 'THE KOREA TIMES' is a registered trademark with the designated goods of newspaper publication, a third-party reporting internet news under the domain name 'koreatimestoday.com' would constitute a trademark infringement (Patent Court Judgment in Case No. 2017Na1407 delivered on September 29, 2017).

(3) There were no major legislative changes in the field of copyright law. However, the Enforcement Decree of the Copyright Act was revised on August 22, 2017, and became effective August 23, 2018. Accordingly, the scope for limitation of performance rights has been reduced by Article 29.2 of the Copyright Act. Hence, from now on, cafés, pubs and health clubs (excluding those with a floor space of less than 50 square meters) need to pay copyright royalties.

Also, Article 106 of the revised Copyright Act (amended on March 22, 2016) stipulated collective collection of performance fees. But the Ministry of Culture, Sports and Tourism selected a collective collection organization at the end of March 2017, and such measures were enforced starting on April 1, 2017. As a result, store music providers (a total of 13 businesses) collect performance fees from stores (such as hotels and department stores) that use digital audio transmission services, and the Korean Music Copyright Association collects performance fees for stores that do not use store music services (such as karaokes or nightlife pubs).

Important cases in the field of copyright law include the first Supreme Court Judgment that acknowledged creativity of the format of a television broadcast (Supreme Court Judgment in Case No. 2014Da49180 delivered on November 9, 2017). The Supreme Court ruled that even if individual elements such as stage, background, props, music, progression methods and game rules constituting the reality broadcast program were not creative in themselves, the selection and arrangement of such elements can acquire creative originality distinct from other broadcast programs. In another significant lower court case, the act of creating a link to a broadcast program without permission of the copyright owner on an overseas video sharing site was not considered a direct infringement of public transmission rights but an act of aiding infringement of public transmission rights (Seoul High Court Judgment in Case No. 2016Na2087313 delivered on March 30, 2017). In this case, the creator of the link arranged illegal broadcasting programs by their titles and broadcast dates so that users could search programs and watch them for free. This judgment is in conflict with a Supreme Court Judgment that denied both direct infringement and aiding infringement claims (Supreme Court Judgment in Case No. 2012Do13748 delivered on March 12, 2015).⁴ This Seoul High Court Judgment was affirmed by the Supreme Court (Supreme Court Judgment in Case No. 2017Da222757 delivered on September 7, 2017), but there was no dispute pertaining to the recognition of aiding infringement. Hence, it cannot be concluded that the Supreme Court's stance has changed based on this ruling. Although there are few cases, the court is progressing toward acknowledging copyright infringement for organized and systematic creations of links, but there remains division in opinions regarding such liability issues for creating links in Korea.

In addition, the Supreme Court ruled that even when the actual author gave consent, indicating a person other than the author as the author constitutes illegal publication under the Copyright Act since such provisions protect the general public's trust in the author's name as well as the personal rights of the author (Supreme Court Judgment in Case No. 2016Do16031 delivered on October 26, 2017). The Supreme Court also held that even if illegal transmission actually occurs, as long as the special type of online service provider (such as web hosts) takes 'necessary measures' required by the Copyright Act, no liability can be found (Supreme Court Judgment in Case No. 2014Ma503 delivered on August 31, 2017). The Supreme Court found that a part of a computer program being stored in the RAM (the main storage device of a computer) during the course of use would not constitute a copyright

infringement and considered it to be a 'temporary copy' (Supreme Court Judgment in Case No. 2015Da1017, 1024, 1031, 1048, etc., delivered on November 23, 2017). In a meaningful lower court case, the court held that the game rules of a match-3-game could not be protected as an idea under the Copyright Act. Thus, copying such rules not protected by the Copyright Act was allowed on principle, and would only be considered an appropriation of achievements under the Unfair Competition Prevention Act under 'special circumstances' (Seoul High Court Judgment in Case No. 2015Na2063761 delivered on January 12, 2017).

(4) There were no legislative changes in the field of trade secret protection in 2017.

Important cases in trade secret protection include a case in which the Supreme Court ruled that the trademark infringement prohibition period can be calculated based on the point the employee actually deviated from the work of dealing with the trade secret if trade secret infringement is sought in advance as a preventive measure to protect against trade secret infringement by an employee (Supreme Court Judgment in Case No. 2016Ma1630 delivered on April 13, 2017). In another case, the Supreme Court found a person who acquired a trade secret illegally to be infringing upon business interests of the trade secret holder regardless of whether the trade secret was actually used or not (Supreme Court Judgment in Case No. 2014Da27425 delivered on September 26, 2017). In a lower court case, referring to another's trade secret to reduce trial-and-errors and save time and expenses related to necessary experiments were considered a use of trade secrets in addition to simply copying technology constituting a trade secret (Seoul Central District Court Judgment in 2016No3163 delivered on February 15, 2017).

In a case involving criminal breach of fiduciary duty for a trade secret, when an employee leaks or takes out important business assets that are not trade secrets to use for his own interests, such acts constitute a criminal breach of fiduciary duty (Supreme Court Judgment in Case No. 2017Do3808 delivered on June 29, 2017). Also, if an employee bound by confidentiality obligations leaks a computer program and user manual developed by a software company to deliver to another company, such program and manual are considered to be a trade secret or important asset. Hence, such act was seen to constitute a criminal breach of fiduciary duty (Supreme Court Judgment in Case No. 2015Do1877 delivered on August 18, 2017).

(5) There were no major legislative changes in unfair competition prevention in 2017. However, the Unfair Competition Prevention Act was revised as of January 17, 2017, and became effective July 18, 2017. Imitation of goods was added to the scope of acts of unfair competition subject to investigation by the head of the Korean Intellectual Property Office (KIPO) and local governments (Article 7 and 8 of the Unfair Competition Prevention Act) and penalties can be imposed on such violators (Article 18.3.1 of the Unfair Competition Prevention Act).

Important cases in the field of unfair competition prevention include a case in which the Supreme Court ruled that unauthorized broadcasting of the results of a predictive election survey that 3 broadcasting companies requested from a public opinion survey agency without prior consent would constitute an appropriation of achievements (infringing upon the plaintiff's economic interests by unauthorized use of outcomes achieved by substantial investment or efforts through means in conflict with fair trade practices or competitive order) and an act of unfair competition (Supreme Court Judgment in Case No. 2017Da200139 delivered on June 15, 2017). On the other hand, in a lower court case involving the so-called 'Eyeball Bag' (a bag with a 'eye'-motif design attached to the front of a Hermes-like bag), the court held that although the form is similar to the Hermes bag, it had originality and did not infringe upon the economic interests of Hermes since its price and category of consumers were different. Hence, the bag was not seen to be an appropriation of an achievement (Seoul High Court Judgment in Case No. 2016Na2035091 delivered on February 16, 2017). In this judgment, the court allowed imitation of a product not protected by intellectual property rights (such as copyrights) in principle,

unless there are ‘special circumstances’ by which such imitation cannot be justified in light of fair trade practices and free competitive order. If so, imitation is prohibited as an appropriation of achievement under unfair competition prevention. 4 concrete examples were presented as constituting a ‘special circumstance’.⁵

In another case involving portable double-valve fire extinguishers that were supplied to the National Policy Agency, if there was a product in substantial identical form that was registered as a practical design a long time ago and sold by another company, the form of such fire extinguisher cannot be protected since it is in a ‘form that similar type of products usually take’ (Supreme Court Judgment in Case No. 2015Da216758 delivered on January 25, 2017). In a case involving anti-slip bathroom mats, advertising that the mat uses environmentally friendly material when it actually used material with environmental hormones constituted an act of unfair competition (Seoul High Court Judgment in Case No. 2016Na2081469 delivered on June 15, 2017).

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². This case was discussed in page 38 of the China-Korea IP & Competition Annual Report 2016 Volume II. It overruled the Patent Court Judgment in Case No. 2015Hu4019 delivered on January 15, 2016.

³ Similar cases include Supreme Court Judgment in Case No. 2015Hu949 delivered on March 9, 2017 and Supreme Court Judgment in Case No. 2016Hu2447 delivered on March 15, 2017.

⁴. See p. 332, China-Korea IP & Competition Law Annual Report 2015.

⁵. A similar case can be found in Seoul High Court Judgment in Case No. 2015Na2063761 delivered on January 12, 2017.