



KORUS FTA & Korean Courts

(Focus on Intellectual Property Protection)

2018. 4. 24.
YOUNG-HILL LIEW
(JUDGE, SEOUL CENTRAL DISTRICT COURT)



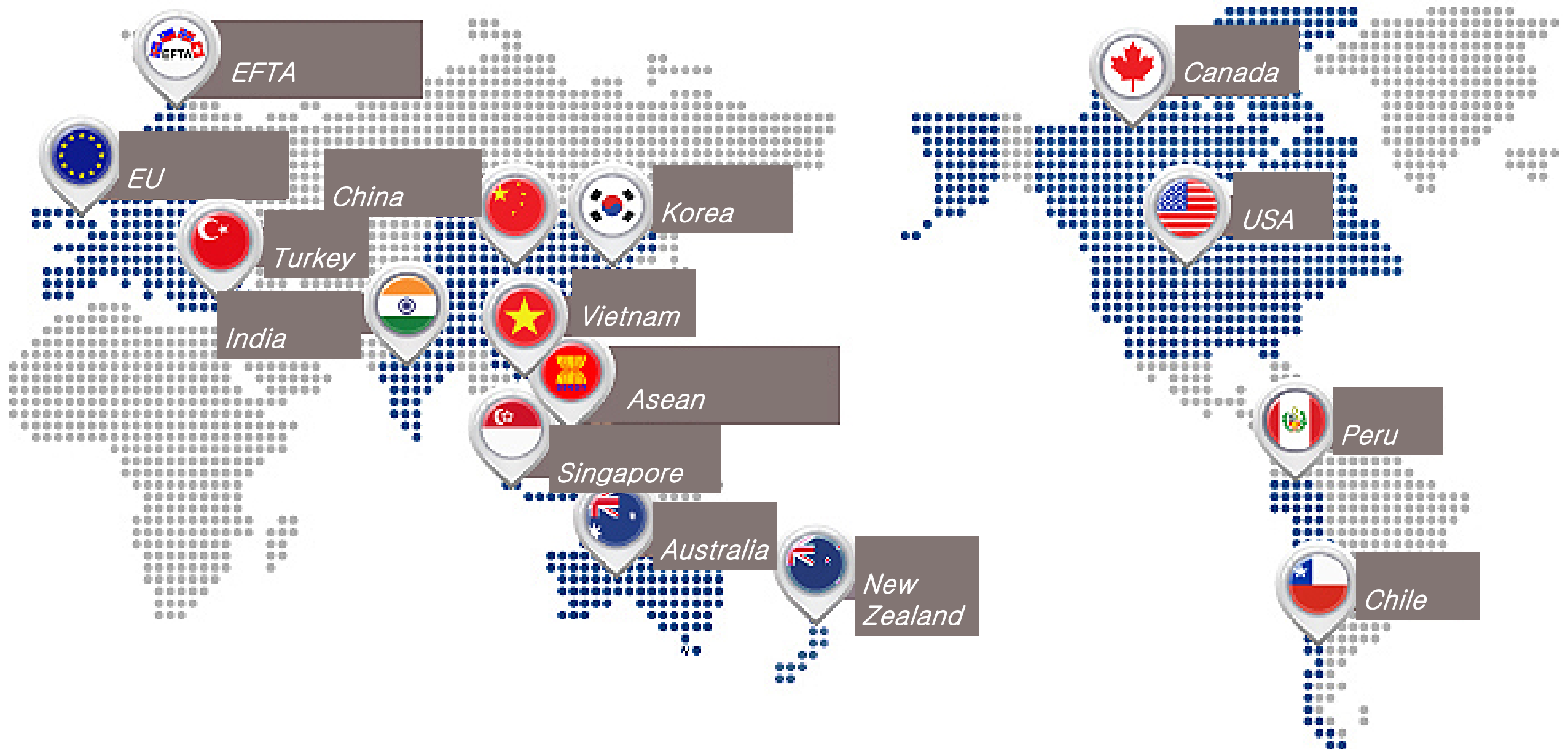
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1. Importance of the KORUS FTA

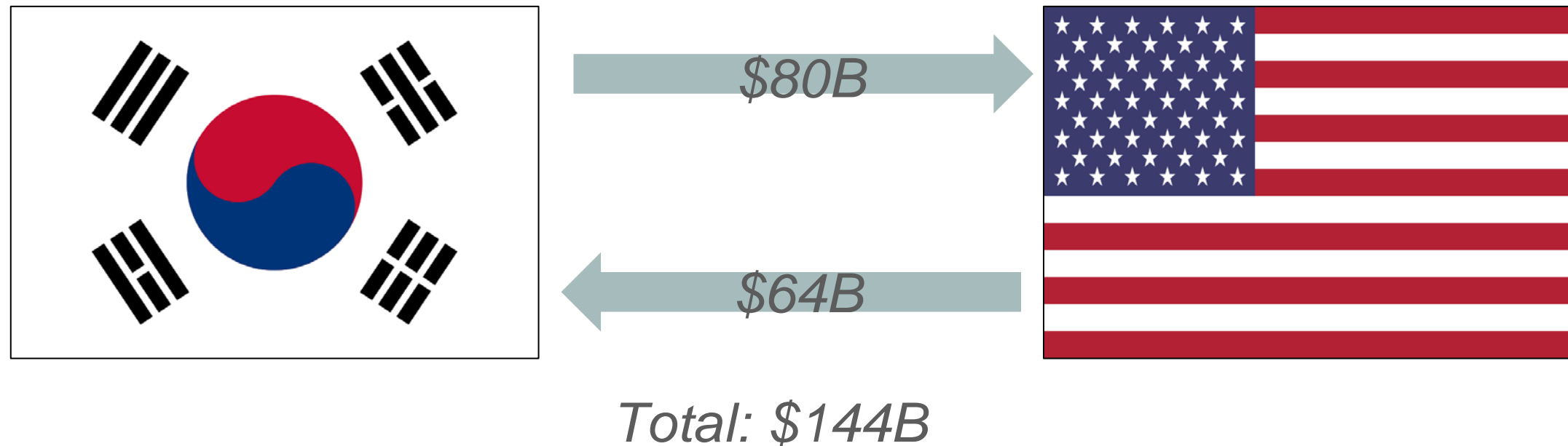
One of the fifteen FTAs

[Korea's fifteen FTAs (ratified)]



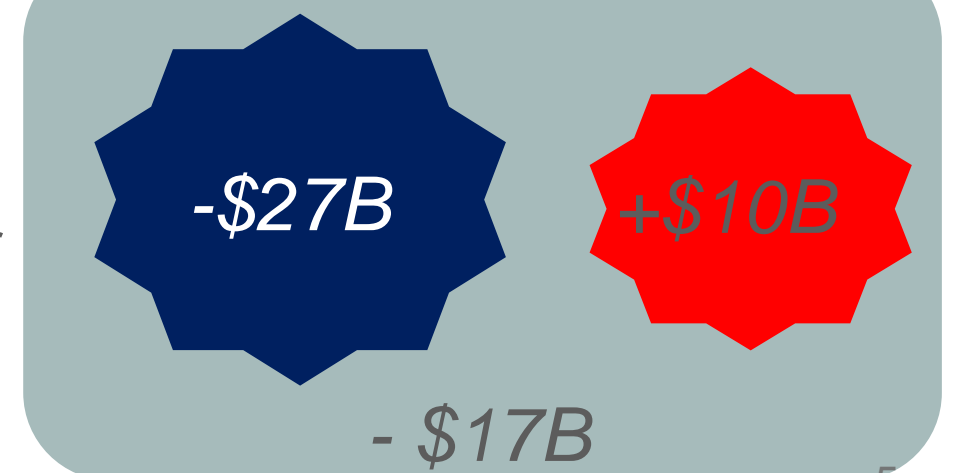
Unrivalled importance of the KORUS FTA

[Korea-U.S. Trade / 2016]



- Korea is the world's 11th largest market & the 6th largest goods trade partner of the US
- US is Korea's **second** largest trading partner, after China

Trade deficit w/South Korea



**Much time & efforts invested
commensurate with its importance**

*June 30,
2007*

First signed

*March 15,
2012*

Entered into effect

2. Korean Courts & KORUS FTA

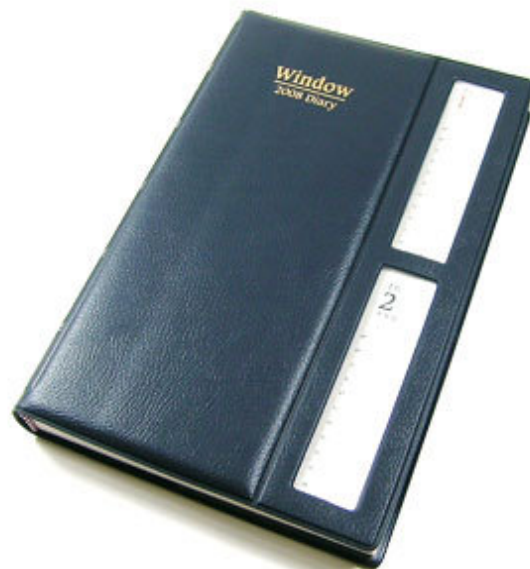


KOREAN SUPREME COURT

Is a court related to trade or FTA?

[Trade issues embedded in a court decision]

My personal experience in a HCCH meeting (Ottawa February, 2000) – unexpected comment by a lawyer from the U.S. Department of Commerce



VS



WINDOW

Registration Holder: Yang-Jee Corp.

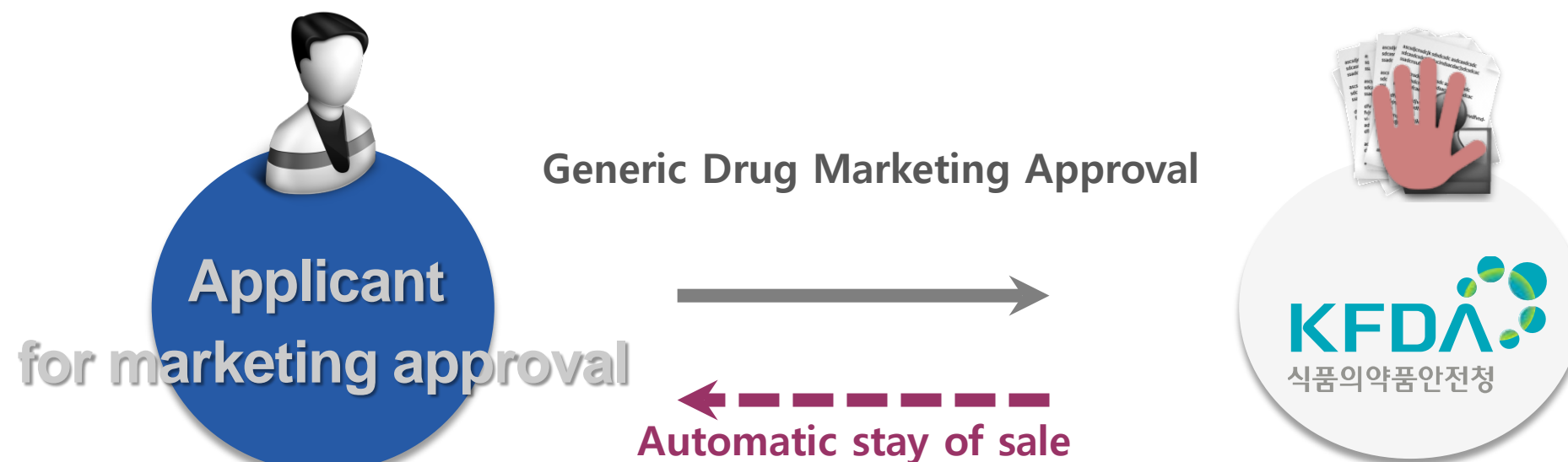
Registration Number: 40-0452 133

Drastic change KORUS FTA brought to Korean courts

Pharmaceutical patent litigations resulted from FTA

Drug Approval – Patent Linkage System

- *Implemented on March 15, 2015, pursuant to KORUS FTA*
- *Similar to US Hatch-Waxman Act*
- *Goal: Lower prices of pharmaceutical drugs for the Korean public by encouraging earlier market entry by Generics with generic versions of original drugs while protecting the patent rights of Originators*



<when a patent owner files a patent litigation after receiving notification>

Sharp increase. What next ?

(2015. 5. including court of 1st instance, 2nd instance and 3rd instance)

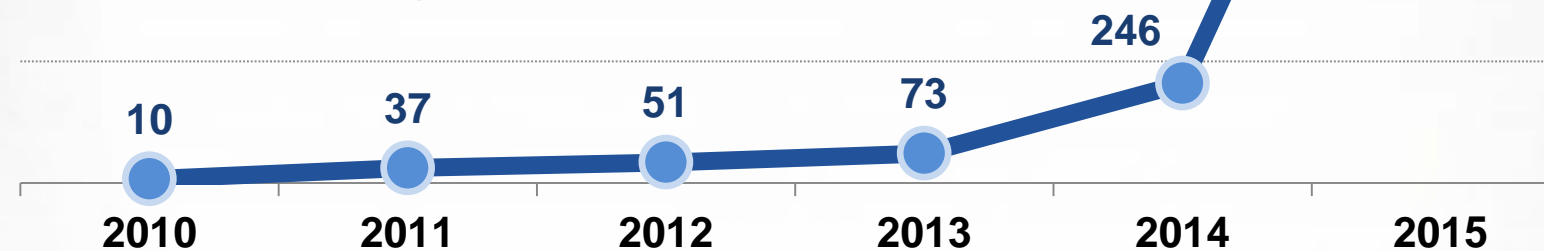
< 2015. 3 ~ 5월 일별 청구현황 >



Patent term extension invalidation : 30%

Patent scope trials : 9%

Invalidation Proceeding : 61%



KIPO statistics

Balanced protection of IP in practice



Infringement complaint against MS was dismissed

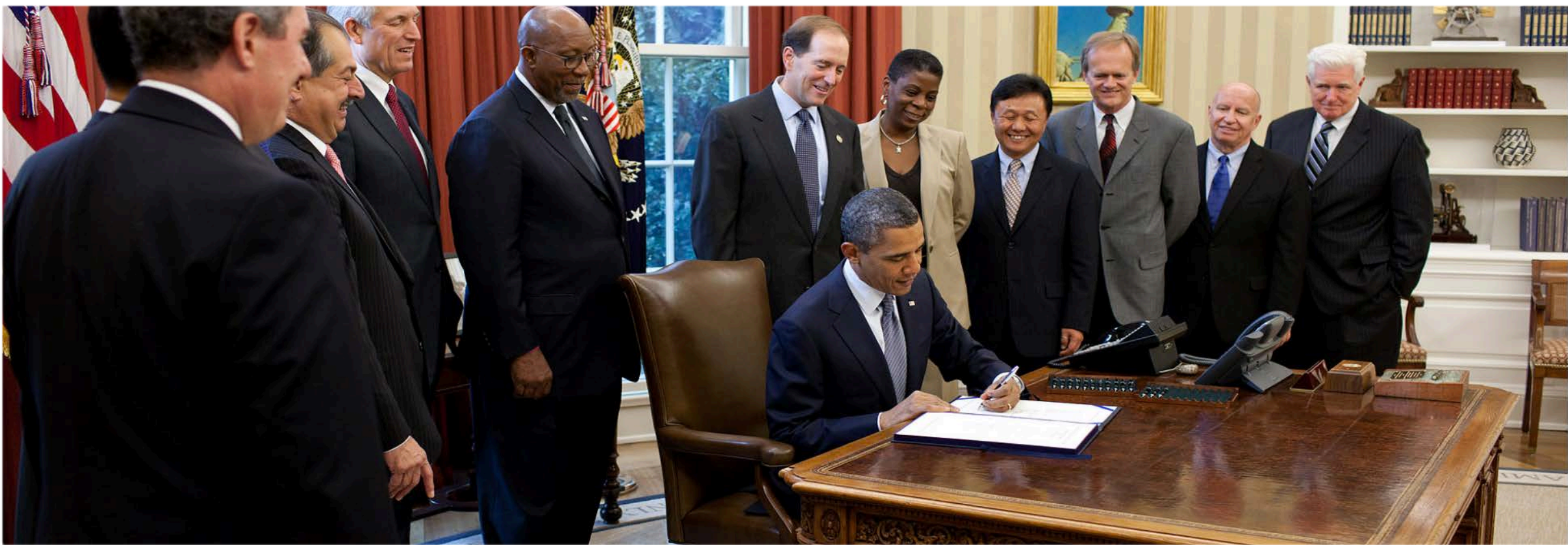
The role of Korean courts in KORUS FTA

- As one of the dispute resolution bodies, domestic court is responsible for the enforcement of KORUS FTA
- Fair and reasonable interpretation of KORUS FTA and the relevant domestic law is important.
- How courts apply invalidity test of pharmaceutical patent is critical in striking a balance between generics and originators.

Korean court's decision may have significant impact on KORUS FTA

3. Enhanced Level of IP Protection

- Law and Practice of the KORUS FTA



“ The agreement we’re announcing today includes several important **improvements** and achieves what I believe trade deals must do. It’s a **win-win** for both our countries.

*Former President Barack Obama,
Remarks at the Announcement of US-
Korea FTA(2010)*

IP Chapter of KORUS FTA – Positive progress

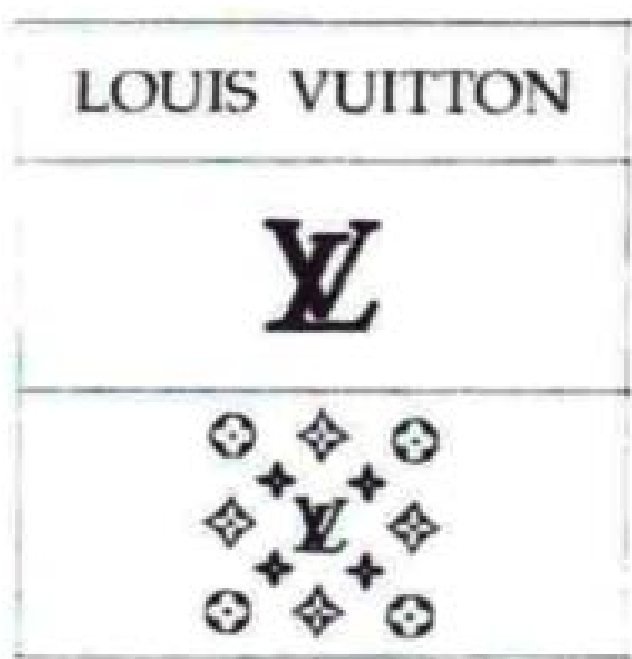
- Statutory remedies for copyright infringements(Art18.4~18.6)
 - frequently used in judicial practice
- No limitation on claimant's standing in certain IP litigations(Art 18.10.)

4. Each Party shall make available to right holders civil judicial procedures concerning the enforcement of any intellectual property right.

**a federation or an association having the legal standing and authority to assert such rights, and also includes a person that exclusively has any one or more of the intellectual property rights encompassed in a given intellectual property*

- Drug Approval-Patent Linkage System (Art 18. 9.)

Enhanced level of IP protection



LOUIS VUITTON

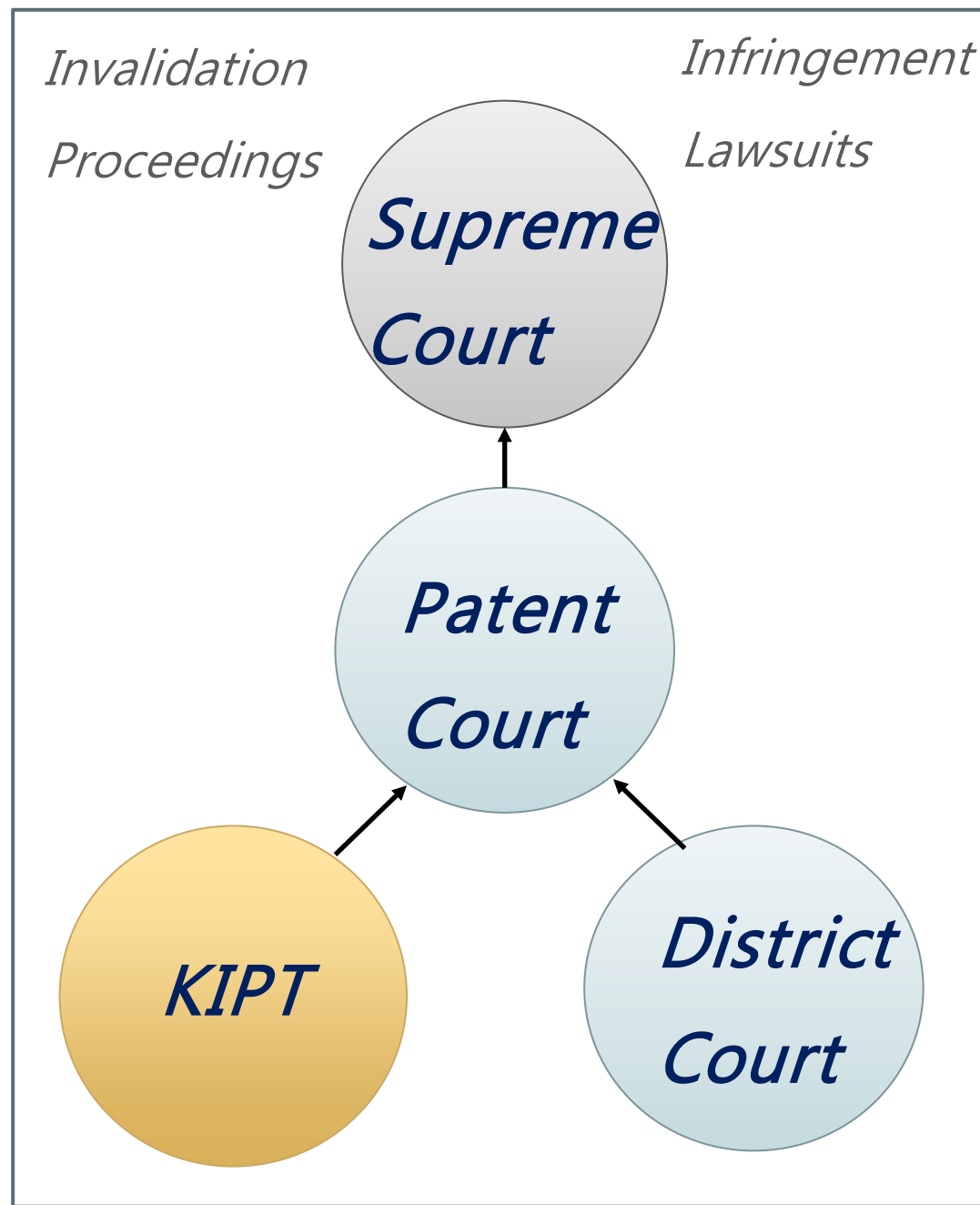


LOUIS VUITTON DAK



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Enhanced level of IP protection



Jan 1, 2016



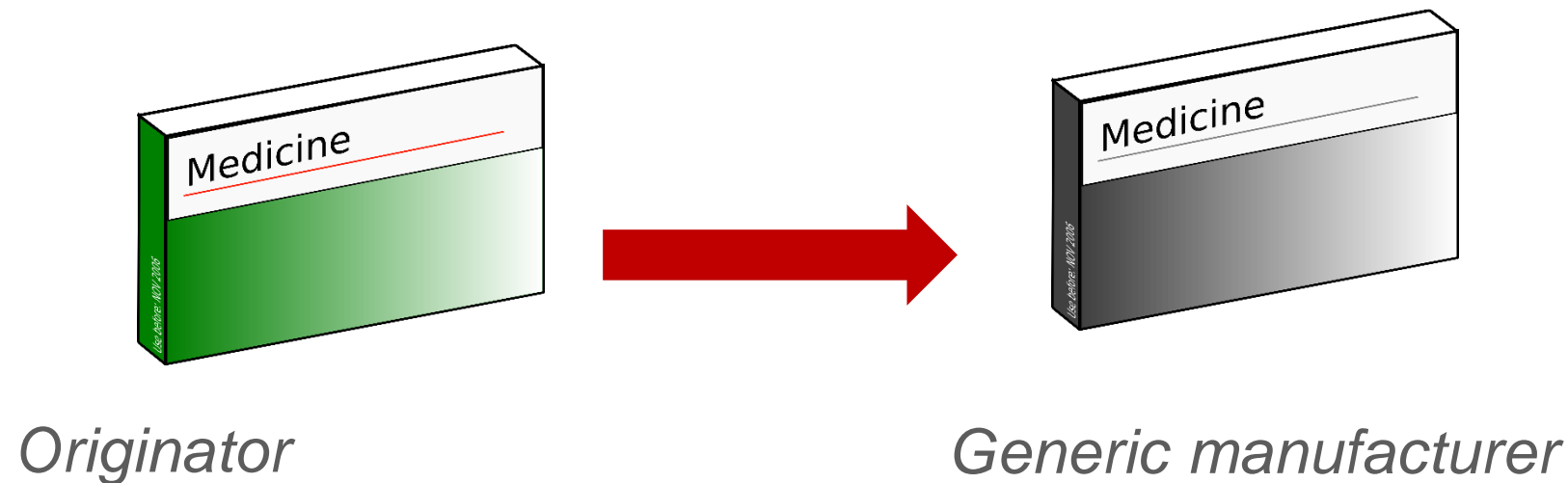
May 29, 2017



Feb 5, 2018

Enhanced level of IP protection

[A recent case decided by the Patent Court]



The Korean Patent Court found a generic manufacturer liable for selling generic pharmaceutical drugs prior to the expiration of the patent term of the original pharmaceutical product, which reduced the pharmaceutical prices of the original pharmaceutical product in accordance with pharmaceutical pricing registration procedures, thereby causing an originator harm(Patent Court 2017Na2332).

Proposed amendments (Information submission order, Punitive damages)

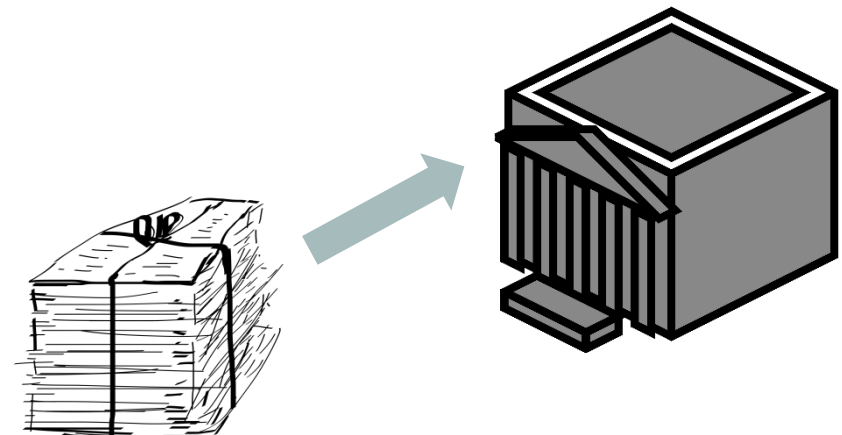
[Proposed amendment]

Reinforcement of Information Submission Order

(「Unfair Competition Prevention and Trade Secret Protection Act」, 「Act on the promotion of collaborative cooperation between large enterprises and small-medium enterprises」, 「Act on prevention of divulgence and protection of industrial technology」)

Patent Act: Article 132 (Submission of Information)

(1) In litigation for patent rights or exclusive license, upon the request by one of the parties, the court can order the opposing party to submit the information relevant to proof of the alleged infringement or assessment of the damages incurred from the alleged infringement. However, if a person in possession of such information has any reasonable grounds to refuse submission thereof, the court's order for submission of information is no longer enforceable.



[Proposed amendment]

Introduction of punitive damages in laws and regulations related to technology protection

- Impose punitive damages up to 10 times the actual damages

4. Control of Unfair Trade Acts

- Trade Commission & Courts

International transaction of goods infringing IP rights

- TRIPs Agreement strictly regulates **international transaction of goods infringing IP rights**
- As a member of WTO, Korea abides by TRIPs Agreement.

Protection of IP rights in Korea's export and import market	
Korea Customs Service	Withhold a customs clearance for the relevant goods (Art 235, Customs Act)
KTC	Investigations of unfair international trade practices (Art 4, Act on the investigation of unfair international trade practices and remedy against injury to industry)

Korea Trade Commission

Article 4 (Prohibition of Unfair International Trade Practices)

- (1) No one shall engage in any of the following acts (hereinafter referred to as "unfair international trade practices")*
- 1. The following acts related to goods, etc. which violate patent rights, utility model rights, design rights, trademark rights, copyrights, neighboring copyrights, program copyrights, lay-out design rights of semiconductor integrated circuits, geographical indications, or trade secrets protected by the statutes of the Republic of Korea or the treaties signed by the Republic of Korea as a party concerned (hereinafter referred to as "goods, etc. violating intellectual property rights"):*
 - (a) Supplying goods, etc. violating intellectual property rights into Korea from overseas, or importing goods, etc. violating intellectual property rights or selling such imported goods domestically;*
 - (b) Exporting goods, etc. violating intellectual property rights, or manufacturing such goods domestically for export;*

Korea Trade Commission

[Special Oversight Mechanism_Trade Commission]

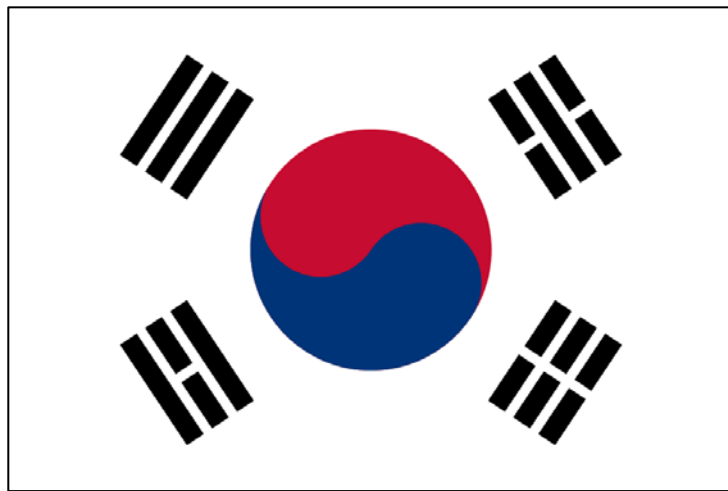


- Act on the Investigation of Unfair International Trade Practices and Remedies Against Injury to Industry
- KTC may issue measures to prohibit import, export, sale or manufacture of the goods violating IP rights
- KTC made some meaningful decisions (e.g. **Canon case**), and adopted an expedited investigation procedure to enhance its effectiveness

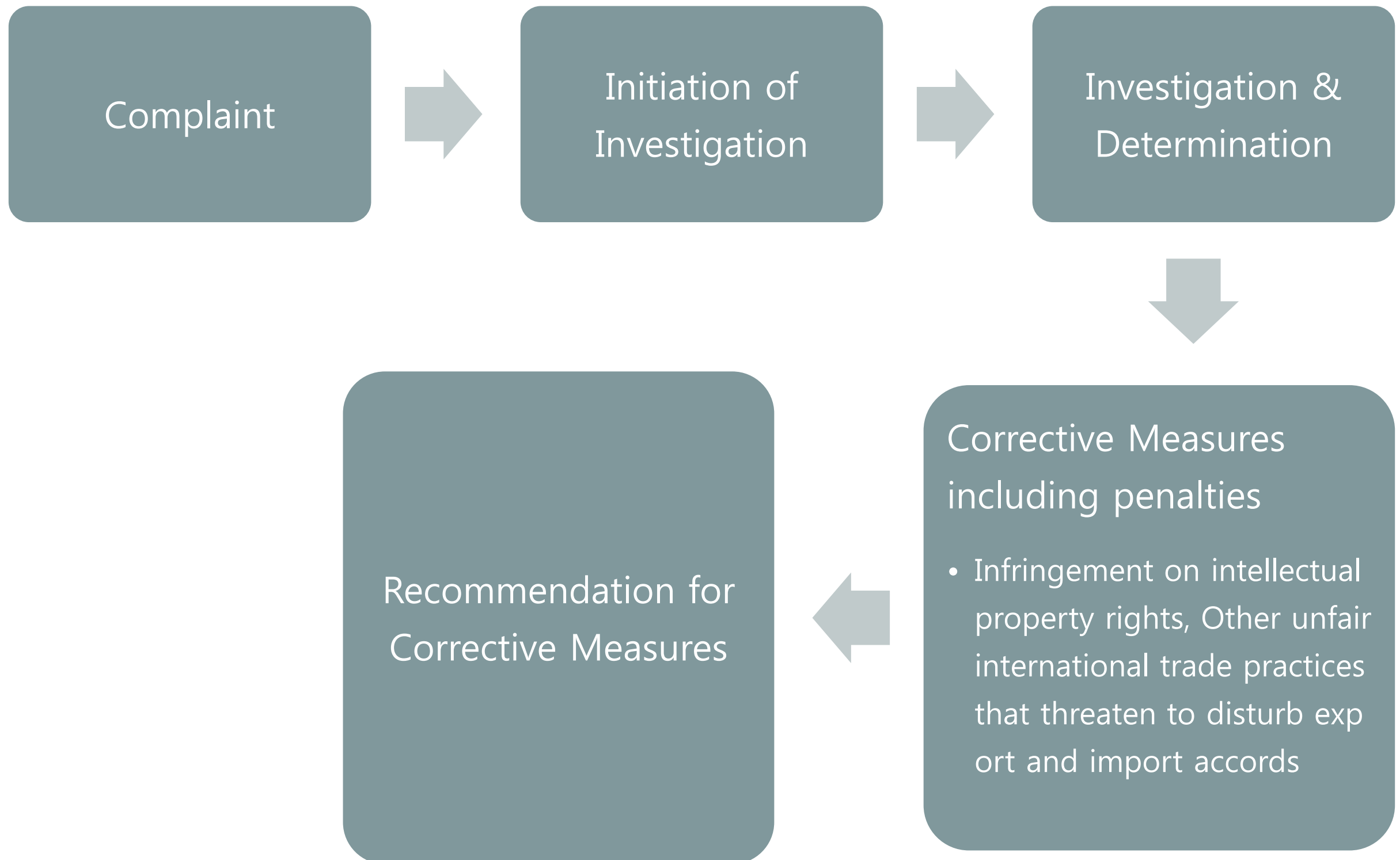
KTC becomes an affordable mechanism to solve IP disputes in the context of int'l trade

Comparison with ITC

[Special Oversight Mechanism_ Trade Commission]



Investigation Procedure(Unfair Trade Practice)



Number of investigations instituted by year

Item	~'01	'02	'03	'04	'05	'06	'07	'08	'09	'10	'11	'12	'13	'14	'15	'16	'17	Total
Trademark	62	2			4		1		2	3	1	3	3					19
Patent	4	1	4	3	1	4	1	1	1	5	3	5	1	3	5	9	5	56
Utility Model								1	1	1	1							4
Design	6			1	1		1	1	2	1			1			1	1	16
Copyright	6																	6
Trade Secrets	4	1	1										2			1		9
subtotal	82	4	5	4	6	4	3	3	6	10	5	8	6	4	5	13	10	178

Court has a final say on infringement

(Recent reversal of Trade commission's ruling)

On September 22, 2011, Korea Trade Commission dismissed Canon's claim against local laser printer parts companies, alleging infringement of patents regarding gears for photoconductor drums used in toner cartridges

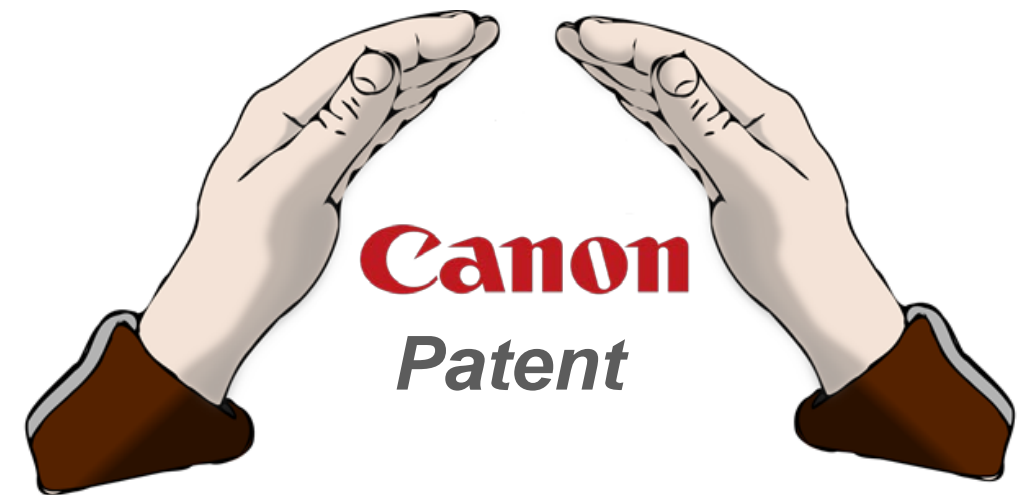
Supreme Court 2013Du5180



Seoul High Court 2012Nu22821



Seoul Administrative Court 2011GuHap44471



2017 국제 특허법원 콘퍼런스 2017 International IP Court Conference: court, IP and business

2017. 9. 6(수) 10:00~18:00 특허법원

- 제1세션 특허법원의 조화와 협력(법원장 세션)
- 제2세션 비즈니스의 관점에서 본 특허소송의 새로운 도전
- 제3세션 의약 및 생명공학 특허의 최신 이슈
- 제4세션 ICT산업을 중심으로 본 특허요건과 권리구제





IP hub court

5. IP & Antitrust Cases in Courts

Need for limitation on exclusivity of IPR

Exclusivity vs. Competition

IP Rights vs. Innovation

Antitrust law issues

Key Issues

- *Acquisition of Patent Rights*
 - *Acquisition of Patent Right relevant to the Major Part of Business*
 - *Grant-back*
- *Exercise of Patent Rights by Filing Suits*
- *Grant of License in General*
- *Patent Pool and Cross-License*
- *Exercise of Patent Rights related to Technology Standard*
- *Settlement made in the process of patent disputes*
- *Exercise of Patent Rights by NPEs*

Baseless lawsuits in IP

➤ Abuse of Rights

- Review Guidelines on Unfair Exercise of Intellectual Property Rights
- Supreme Court 2010da95390



“In patent litigations, even when the defendant's execution of technology falls under the scope of the plaintiff's patented

*invention, **if the plaintiff's patent is manifestly likely to be invalidated, the plaintiff's infringement prohibition claim or damage claim based on that patent right is not allowed as abuse of rights**”*

➤ Sham Litigation

- Antitrust Guidelines for the licensing of Intellectual Property
- SUPREME COURT OF THE UNITED STATES, PROFESSIONAL REAL ESTATE INVESTORS, INC., et al., PETITIONERS v. COLUMBIA PICTURES INDUSTRIES, INC.



*“First, **the lawsuit must be objectively baseless in the sense that no reasonable litigant could realistically expect success on the merits** Only if challenged litigation is objectively meritless may a court examine the litigant's subjective motivation. Under this second part of our definition of sham, the court should focus on whether the baseless lawsuit conceals ‘an attempt to interfere directly with the business relationships of a competitor’. . . .”*

Samsung v. Apple

- *Apple alleged that Samsung's injunction claims based on the standard patents after the FRAND declaration is in violation of the principle of estoppel, and it is an abuse of rights for Samsung to claim injunction with demand for excessive royalty rates contrary to the FRAND terms and without complying with the obligation of good faith negotiation.*
 - *Apple also alleged that Samsung's claim for injunction against infringement based on the standard patents corresponds to an unfair trade practice or an abuse of market dominant position. Since the claim constitutes an abuse of rights that violates the Fair Trade Act, it cannot be accepted.*
- ⇒ *In late August 2012, the court issued the judgment finding Apple's infringement of two Samsung technology patents(The court denied Apples' estoppel or anti-trust allegations). The court issued injunction preventing sales of the infringing products in South Korea and awarded damages for violated patents (Seoul District Court 2011gahap39552)*

Pay for delay agreement in pharmaceutical industry

GSK/Dong-A: Pay for delay agreement(2011)

GSK



Dong-A



Pay for delay agreement

- ✓ *Withdrawal of a generic drug from the market*
 - ✓ *Restrict the development and sales of medicine that can compete against GSK*
- ⇒ *In return, GSK offered financial benefits to Dong-A*

*Supreme Court
(201Du24498)*

*Ondansetron: O
Valtrex: X*

*SEOUL HIGH COURT
(2012Nu3028)*

*SEOUL HIGH COURT
(2012Nu3035)*

KFTC

Remedial measures & a total fine of 5.2 billion won

6. Concluding Remarks



Thank you for your attention
감사합니다.