

# NEWSLETTER

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Intellectual Property Group

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## Korea Introduces New Law Strengthening Protection against Intentional Infringement of IP Rights

Following the July 2019 amendment to the Patent Act introducing punitive damages for patent infringement, the Korean National Assembly has since passed additional legislation to strengthen the protection of IP rights. The new legislation includes amendments to the Trademark Act, the Design Protection Act and the UCPA (Unfair Competition Prevention and Trade Secret Protection Act), introducing punitive damages for trademark and design infringement and idea theft, as well as an amendment to the Patent Act, removing the requirement of a complaint from the injured party to initiate a criminal case for patent infringement. The amendments to the Trademark Act, Patent Act and Design Protection Act will become effective October 20, 2020, and the UCPA amendments April 21, 2021. All of the amendments will be applicable to infringing acts or thefts arising after the amendments go into effect. A brief summary of the amendments follows:

### 1. Amendment to the Trademark Act

#### A. Introduction of treble damages for intentional acts of trademark infringement

Under this amendment, courts can award up to triple the amount of confirmed damages in case of intentional acts of trademark infringement (Article 110(7)). Under the new law, courts will consider the following factors when awarding punitive damages: (i) extent of damages suffered by the trademark owner/exclusive licensee as a result of the infringement; (ii) infringer's economic benefits; (iii) duration and frequency of the infringing activities; (iv) infringer's efforts to mitigate damages; (v) infringer's willfulness or awareness of the severity of harm; (vi) penalties imposed for the infringement (e.g., from a parallel criminal prosecution); (vii) financial status of the infringer; and (viii) extent of damage to the distinctiveness or reputation of the trademark caused (Article 110(8)).

Thus, punitive damages, available for patent infringement and traded

secret misappropriation since last year, are now also available with respect to trademarks. Companies doing business in Korea are encouraged to pay closer attention and to consult with their legal counsel on potential trademark infringement issues.

**B. “Reasonably expected” royalties as basis for damages computation (Article 110(4) of the Trademark Act)**

Prior to this amendment, the Trademark Act, which calculated damages based on royalties that would be “ordinarily expected” by the trademark holder, had been heavily criticized for awarding insufficient damages, generally lower than the prevailing market rates. To address this issue, the amendment altered the “ordinarily expected” standard to a “reasonably expected” standard, allowing courts to properly reflect the market reality when calculating royalty-based damages (Article 110(4)). This revision should allow, in many instances, trademark holders to receive higher damages awards.

**C. Increased maximum statutory awards (Article 111(1) of the Trademark Act)**

The Trademark Act initially adopted statutory damages (up to KRW 50 million) in 2011 to alleviate the trademark holder’s burden of proof in quantifying damage figures where it is difficult to estimate damages or prove actual damages. Under this amendment, the maximum award of statutory damages for trademark infringement is increased to KRW 100 million, and KRW 300 million in case of intentional or willful infringement (Article 111(1)). This newly increased statutory award, together with treble damages and reasonably expected royalties as basis for damages computation, is expected to result in compensatory damages more favorable to the right holders.

**2. Amendment to the Design Protection Act**

**A. Introduction of treble damages (Articles 115(7) and (8) of the Design Protection Act)**

Similar to the Trademark Act amendment, this Design Protection Act amendment adopts punitive damages for design infringement, where a court can award up to three times the amount of confirmed damages in case of intentional or willful infringement (Articles 115(7) and (8)).

**B. “Reasonably expected” royalties as basis for damages computation (Articles 53(2) and 115(4))**

This amendment also adopts a “reasonably expected” royalty standard when calculating royalty-based damages (Articles 53-2 and 115(4)).

**3. Amendment to the UCPA**

**A. Introduction of treble damages (Article 14-2(6))**

Similar to the amendments to the Trademark Act and the Design

Protection Act, this UCPA amendment authorizes courts to award damages as a punitive measure of up to three times the confirmed damages for idea theft (recognized under Article 2(1)(j) of the UCPA) where intentional or willful act is established (Article 14-2(6)). Among the actions that constitute unfair competition under the UCPA, the amendment focuses specifically on idea theft, in order to strengthen protection against the misappropriation of ideas exchanged in connection with commercial transactions, by parties having superior positions of power.

#### **B. More effective administrative investigations and recommendations for corrective actions (Article 7 to 9 of the UCPA)**

Under this amendment, any pending administrative investigation an unfair practice under Article 2(1) of the UCPA (except for Articles 2(1)(h) and (k)) may be suspended or terminated in the event the relevant administrative agency (i.e., the Commissioner of KIPO) becomes aware of a relevant ongoing dispute mediation before the Industrial Property Dispute Mediation Committee (Articles 7(3) and (4) of the UCPA).

The amendment also diversifies the types of recommended corrective actions that the administrative agency can issue where unfair practice under Article 2(1) of the UCPA is confirmed (except for Articles 2(1)(h) and (k)). The current UCPA allows recommendations that are necessary to correct the existing unfair practice, which may include suspension of the unfair practice and removal of the infringing mark. The amendment allows any recommendations that are necessary to correct the existing unfair practice, including suspension of the existing unfair practice, removal of the infringing mark and prevention of future reoccurrences.

Furthermore, the amendment allows the administrative agency to make public announcement of the unfair practice and recommendation issued in connection thereof, in the event the agency's recommendation for corrective action is not complied with (Articles 8(2) and (3) and Article 9).

#### **4. Amendment to the Patent Act**

This amendment to the Patent Act brings about a substantial change with respect to how criminal prosecutions are brought for patent infringement. Under the amendment, complaint by the injured is no longer required for indictment. Rather, patent infringement is now a crime that cannot be prosecuted if the patentee or exclusive licensee expresses intent not to punish the infringer (Article 225(2)). This means that prosecutors can now enforce against patent infringement even if there is no complaint filed by the injured (i.e., the patentee or the exclusive licensee) or the shorter statute of limitation (i.e., 6 months) has run out. This change aims to strengthen IP protection for patent holders, and to reinforce the effectiveness of criminal investigations, which may now happen in parallel with civil proceedings (infringement disputes in Korea traditionally ended at civil proceedings and did not proceed further to criminal proceedings, but now parallel criminal and civil proceedings are more likely to occur). With this amendment, potential infringers are now required to be more proactive and vigilant in defending their business and activities.

For any further inquiries relating to any of the foregoing or any other IP matters, please contact Lee & Ko's IP Practice Group.

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