

NEWSLETTER

February 2024

Intellectual Property Group

CONTACT



Partner
Un Ho KIM

T: +82,2,772,4695
E: unho.kim@leeko.com



Senior Foreign Attorney
John KIM

T: +82,2,772,4931
E: john.kim@leeko.com



Senior Foreign Attorney
Julie SHIN

T: +82,2,772,4978
E: julie.shin@leeko.com



Partner
Vera Eun Woo LEE

T: +82,2,772,4334
E: eunwoo.lee@leeko.com



Partner
Hayoun CHUN

T: +82,2,772,5964
E: hayoun.chun@leeko.com

Punitive Damages May Now Be Awarded up to Five Times

• • • Patent Act, Utility Model Act, and Unfair Competition Prevention and Trade Secret Protection Act

On January 25, 2024, National Assembly passed an amendment bill that increases the limit of punitive damages compensation from treble to quintuple under the Patent Act and the Unfair Competition Prevention and Trade Secret Protection Act (the **UCPA**). As the Utility Model Act applies the Patent Act, quintuple damages also will apply to the Utility Model Act. On the other hand, no equivalent amendment has been made to the Trademark Act, the Design Protection Act, or the Act on Prevention of Divulgence and Protection of Industrial Technology (the **APDPIT**), and punitive damages under these acts will be maintained at the treble amount.

In addition to increasing the limit on punitive damages, the revised UCPA also introduces new provisions regarding punishment of certain types of trade secret misappropriation and increases the upper limit on fines for corporations, all aimed to provide a deterrent effect against trade secrets misappropriation.

Amendments to the Patent Act and the UCPA will take effect six months after its promulgation following the bill transfer to government and the final resolution by State cabinet meeting, and the provisions on punitive damages will apply to violations that occur after the amendments take effect. The amendments will take effect starting August 21, 2024.

1. Provisions on Punitive Damages under Various IP Laws

Cap	Provisions	
5X ¹	Patent Act Article 128(8)	<ul style="list-style-type: none"> When an act of infringement of another person's patent or registered exclusive license is found to be intentional

1) The Patent Act and UCPA, as with the Trademark Act and the Design Protection Act, provided for treble damages but now provide for quintuple damages with these amendments.

5X ¹	Utility Model Act Article 30 ²	<ul style="list-style-type: none"> When an act of infringement of another person's utility model right or registered exclusive license is found to be intentional
	UCPA Article 14-2(6)	<ul style="list-style-type: none"> When an act of stealing ideas and/or trade secret misappropriation is found to be intentional
3X	Trademark Act Article 110(7)	<ul style="list-style-type: none"> When intentionally infringing the trademark right or exclusive license by using a trademark identical or similar to a registered trademark of a right holder or exclusive licensee on a product identical or similar to the registered trademark's designated product
	Design Protection Act Article 115(7)	<ul style="list-style-type: none"> When the design right or exclusive license of another person is found to be intentionally infringed
	APDPIT Article 22-2(2)	<ul style="list-style-type: none"> Where divulgence or misappropriation of industrial technology information is found to be intentional
No Punitive Damages Provision	<ul style="list-style-type: none"> Copyright Act, Act on the Layout-Designs of Semiconductor Integrated Circuits, Invention Promotion Act, Act on the Protection of New Varieties of Plants, and Act on Special Measures for Strengthening the Competitiveness of, and Protecting National High-tech Strategic Industries 	

2. Major Takeaways from Other Amendments to the UCPA

■ Improvement of shortcomings in the current system

Under the current UCPA, the Commissioner of the Korean Intellectual Property Office (KIPO), State Governor or City Mayor, or the head of smaller districts may issue a correction recommendation notice to a person who has engaged in unfair competition activities. However, through this amendment, the KIPO Commissioner can now impose a correction order, and if the person in receipt of the order fails to comply in due course, the Commissioner may publicly announce the details of the violation and additionally impose a fine (newly introduced Articles 8(1) and 20(1) (1-2)).

Also, compared to the current law, under which a court may request the KIPO to send investigation records on unfair competition and other relevant information only if a damages claim has been filed with the court, the amended law allows a court to request the KIPO, State Governor or City Mayor, or the head of smaller districts to send investigation records on unfair competition and other relevant information also in a claim for prohibition or prevention of unfair competition. The amended law also includes relevant procedural details such as the scope of inspection of the investigation records received by the court and limitations on who can view the records (newly introduced Article 14-7).

2) Since Article 30 of the Utility Model Act applies Article 128 of the Patent Act, the limit of punitive damages also increases from three to five times due to the amendment to Article 128(8) of the Patent Act.

- **New provisions on punishment for the act of damaging, destroying, or altering trade secrets**

A new provision provides that **no person is allowed to damage, destroy, or alter another person's trade secrets** without proper authority or beyond the permitted authority (newly introduced Article 9-8), and that any person who damages, destroys, or alters another person's trade secrets in violation of this provision for the purpose of obtaining an unfair profit or causing damage to the owner of the trade secrets will be subject to imprisonment of up to 10 years or a fine of up to 500 million Korean Won (newly introduced Article 18(3)).

- **Increasing the upper limit of fines on corporations for crimes of unfair competition or trade secret misappropriation**

Under the current law, corporations and natural persons are subject to the same fines for crimes of unfair competition or trade secret misappropriation. However, through the amendment, the upper limit of fines on corporations is increased by three times the upper limit for natural persons (newly introduced Article 19).

3. Implications

The amendments greatly increase the limit of punitive damages up to quintuple amount in the Patent Act and UCPA, introduce penalties for damaging acts to trade secrets under the UCPA, and add provisions to practically ensure preemptive deterrence and damage relief against technology theft by increasing the upper limit of fines on corporations.

The recent amendments to these laws trend toward reinforcing the protection of intellectual property rights. Accordingly, companies need to be mindful that the amount of damages in intellectual property cases can be increased significantly and that they can be subject to criminal punishment, and should establish more thorough measures to prevent infringement of intellectual property rights. Likewise, the right holders should take more proactive measures and utilize relevant provisions should any IP dispute arises.

Lee & Ko's Intellectual Property Group is advising clients on various intellectual property matters and has a successful track record in preliminary injunction actions and main actions involving patent, trademark, copyright, trade secret misappropriation and unfair competition. If you need our group's assistance, please contact any of the key members of Lee & Ko's Intellectual Property Group.

The Lee & Ko newsletter is provided as a service and promotion for general information purposes. It does not contain legal advice. Although we try to provide quality information, we do not guarantee any results and Lee & Ko is not liable for any damages from the use of the information contained in the newsletter. We reserve all copyrights on text or images in the newsletter. The text or images in the newsletter may not be copied or distributed without the prior permission of Lee & Ko. If you no longer wish to receive our newsletter, please click [here](#) or reply to this email with UNSUBSCRIBE in the subject line.

[More L&K Newsletters](#)