Patent Invalidation in Korea

by Y.P. Lee, Mock & Partners
CONTENTS

● Overview

● Patent Invalidation Trial in Korea

● Expected Changes in Korean Patent Invalidation
OVERVIEW

• Growing awareness of importance of patent protection and patent enforcement for national competitiveness
  
  - Concerns over low legal stability of Korean patents as shown by high invalidation rate and low damages for infringement
  
  - Increase in patent enforcement as shown by the growing number of patent disputes

• Improvements to Korean patent examination/trial system to be implemented
• High invalidation rate of 50% or more is getting attention
  - Recent data showing general decrease in the invalidation rate

Source: KIPO'S IPR STATISTICS CHRONOLOGY
**Korean Court System**

- **Supreme Court**
  - Patent Court
    - IP Tribunal
  - High Court
    - District Court
  - Patent Validity/Scope
  - Patent Infringement
CONTENTS

- Overview
- Patent Invalidation Trial in Korea
- Expected Changes in Korean Patent Invalidation
PATENT INVALIDATION IN KOREA

• Patent invalidation is under the exclusive jurisdiction of the Intellectual Property Tribunal (IPT) of the Korean Intellectual Property Office (KIPO)

  - A patent, once registered, should be considered valid unless and until an invalidation action decision holding the patent invalid becomes final

  - A patent invalidity defense is accepted in a patent infringement action; however, in order for the patent invalidation to be binding, a patent invalidation action should be brought before the IPT
Who can file a patent invalidation trial?

- Anyone can file within three months from the publication date of the patent registration, but only an interested party or the KIPO can file after the three month period.

- “An interested party” refers to a person/entity who (1) is subject to assertion of a patent by the patent holder or at risk of becoming subject to such an assertion and (2) has a direct and realistic interest that can be damaged by it (as of the time of rendering a Trial Decision).

- A patent invalidation trial can be filed even after the patent term expires.
What are grounds for patent invalidation?

• Grounds for Patent Invalidation are generally the same as those for rejection of a patent application
  - Lack of industrial applicability, novelty/inventiveness
  - Inadequacy of written description
  - Lack of support/clarity

The IPT may conduct an *ex officio* trial examination without a request for invalidation from the parties

*De novo* review of patent validity by the Patent Court in the appeal thereto; new grounds and argument accepted
What can the patentee do for defense?

• In response to the request for invalidation, the patentee may request correction of the patent to:
  - narrow the scope of claims,
  - correct clerical errors; or
  - clarify ambiguous recitations/descriptions

The correction of the patent will be finalized when the invalidation trial decision granting the correction becomes final and conclusive

• Correction can be filed in response to newly submitted evidence or arguments; submission of evidence/arguments is not limited to the first reply brief in an invalidation trial
PATENT INVALIDATION IN KOREA

• Petition for Correction serves as a strong tool for patentee

[ Mitsubishi Chemical Corp. v Intematix Corp (2011Gahap138404) ]
Defendant’s abuse-of-right defense was denied on the grounds that the correction would likely render the claims valid, irrespective of the validity of the original patent (in a main action)

[ Pfizer, Inc. v CJ (2012Gahap515) ]
Based on the IPT decision granting the petition for correction and upholding the validity of Pfizer’s patent, CJ’s abuse-of-right defense was denied (in a preliminary injunction action)
# Patent Invalidations in Korea

## Three-tier system for Patent Invalidation

<table>
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<th>Action/Review Stage</th>
<th>Average Pendency</th>
<th>Notes</th>
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| Invalidation action before IPT | About 10 months | - Super-accelerated trial available if an infringement action is pending; trial decision rendered within 4 months  
- Multiple corrections allowed |
| Appeal to the Patent Court | About 8 to 14 months | - The Patent Court reviews the IPT decisions de novo, with support from Technical Examiners; new evidence and arguments accepted |
| Appeal to the Supreme Court | About 4 months in dismissal  
About 1 to 2 years in review | - The Supreme Court reviews the case only in the event of:  
i) improper interpretation of related law,  
ii) violation of previous Supreme Court ruling,  
iii) absence of related rulings, and  
iv) unexceptionally incomplete review |
The percentage of inter-partes cases taken to the Patent Court (appeal) and the percentage of Patent Court decisions affirming the appeal (reversal) on the general decline.

Source: KIPO’S IPR STATISTICS CHRONOLOGY
PATENT INVALIDATION IN KOREA

- The percentage of inter partes cases taken to the Supreme Court (appeal) and the percentage of Supreme Court decisions affirming the appeal (reversal) on the general decline

Source: KIPO'S IPR STATISTICS CHRONOLOGY
• When a trial decision invalidating a patent has become final and conclusive, the patent right shall be deemed never to have existed

• Given the binding effect of patent invalidation, patent challenge may be pursued via patent invalidation or patent scope confirmation trial, depending on the needs

In the event patent infringement can be avoided with an improvement to the subject matter, a negative patent scope confirmation trial may be pursued, which is a faster and more cost-effective way of challenging a subject patent without pursuing invalidation thereof
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- Patent Invalidation Trial in Korea
- Expected Changes in Korean Patent Invalidation
EXPECTED CHANGES

- Changes to the Korean Patent Act expected to improve legal stability of granted patents
  - *Ex officio* Reexamination between issuance of NOA and registration
  - Post-grant opposition
  - Notice of Preliminary Patent Invalidation Decision
  - Harmony between IPT and Patent Court regarding patentability criteria

Under the revised Patent Act, more opportunities will be given for both challenging and defending patent validity
• Comparison of Post-grant Opposition and Invalidation Trial

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<tr>
<th>Description</th>
<th>Post-grant opposition</th>
<th>Invalidation Trial</th>
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<tbody>
<tr>
<td>Purpose</td>
<td>Review of examination result</td>
<td>Resolution of dispute between relevant parties</td>
</tr>
<tr>
<td>Nature</td>
<td>Public examination, ex-parte</td>
<td>Inter-partes</td>
</tr>
<tr>
<td>Timing</td>
<td>Within 6 months from the registration date</td>
<td>Any time</td>
</tr>
<tr>
<td>Grounds</td>
<td>Novelty and inventive step based on prior art</td>
<td>All grounds for invalidation</td>
</tr>
<tr>
<td>Method of trial</td>
<td>Written review (fast and simple)</td>
<td>Written review + Oral proceedings</td>
</tr>
<tr>
<td>Performer</td>
<td>KIPO</td>
<td>Parties to a trial</td>
</tr>
<tr>
<td>Cost</td>
<td>Low</td>
<td>High</td>
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</table>
• Under bifurcated system for patent litigation
  - Patent infringement action in district court and patent invalidation in IPT are generally co-pending
  - Decisions on patent validity may conflict
  - With the recent Supreme Court en banc decisions allowing an invalidity defense based on lack of novelty or non-obviousness in patent infringement action, patent validity will become more of a focus in patent infringement action

• As shown in the recent court decisions, a correction petition/action can be effectively used by patentee for enforcement

• Integration of patent litigation proposed for expansion of the Patent Court’s jurisdiction to review both IPT decisions and district court decisions regarding patents
THANK YOU!

www.leemock.com
E-mail: limhk@leemock.com
Tel: 82-2) 588-8585
Fax: 82-2) 588-8586
Patent Litigation in Korea
-Overview and Strategies-

Jehyun Kim
Y.P. Lee, Mock & Partners
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I. An Overview of Korean Patent Litigation

II. Available Reliefs and Damages

III. Claim Interpretation and DOE

IV. Defensive Measures

V. Conclusion
Number of Patent Infringement Actions
(Seoul Central District Court)
Average Litigation Period (1st Instance)

Mostly Bench Trial
No US Style Pre-trial Discovery
Success Rate of Litigation (1st Instance)
Korean Tribunal System

Supreme Court

Patent Court
IP Tribunal

High Court
District Court

Patent validity/scope
Patent infringement
Contents

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Categories of Patent Disputes

**Opponent**
- Invalidation Trial
- Scope Confirmation Trial (Negative)

**Patentee**
- Infringement Action
- Scope Confirmation Trial (Positive)

**Additional**
- Criminal Accusation
- Preliminary Injunction
- Main Action
- Investigation by KTC
Injunctive Relief

A. Preliminary Injunction

- May be requested before the final decision of the main action
- Proof of irreparable harm is required
- Fast proceeding: 6~12 months until a decision
- Low success rate: about 20% in Seoul District Court
- Presumption of bad faith or negligence of the Plaintiff when the accused patent is invalidated

B. Permanent Injunction

- Should be requested in a main action
- Proof of irreparable harm is not required
- May be sought with a compensation for damages
- Main action takes 8~18 months until a decision
Other Remedies

A. Restoration of Damaged Business Goodwill
   - The court may order the infringer to take appropriate measures to restore the damaged business reputation
   - Willfulness or negligence required

B. Recovery of Unjust Enrichment
   - Willfulness or negligence not required

C. Criminal Sanction
   - Imprisonment up to 7 years or fine up to 100M Won
Compensation for Damages

A. Presumption of Damages (Patent Act §128)

i) (Number of infringing products sold) X (Patentee’s unit profit but for infringement)

ii) The profits gained by the infringer

iii) Reasonable amount of royalty

B. No Punitive Damage Award

Median Value of Damage Awards

<table>
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<tr>
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<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>Avg.</th>
<th>Ratio</th>
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<tbody>
<tr>
<td>US</td>
<td>8.4(7.2)</td>
<td>5.4(4.8)</td>
<td>16.8(15.0)</td>
<td>10.2(9.0)</td>
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<tr>
<td>KR</td>
<td>0.05</td>
<td>0.084</td>
<td>-</td>
<td>0.078</td>
<td>1</td>
</tr>
</tbody>
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Unit: Billion Won, (Million USD)
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I. An Overview of Korean Patent Litigation

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Claim Interpretation

Literal Interpretation:
Claim scope shall be determined based on the claim language when the scope of the invention can be clearly determined based on the claim language.

Narrow Interpretation is allowable when:

i) Lack of support by the detailed description;
ii) Intentional exclusion by the applicant; and
iii) Literal interpretation of claim language is clearly unreasonable in light of the specification and the knowledge of a person of ordinary skill in the art
(Supreme Court Decision 2016Hu2240 rendered on 22 Dec. 2006)
Doctrine of Equivalents

Korean Supreme Court Decision No. 97Hu2200 (July 28, 2000)

(1) The technical idea or the principle for solving a problem is identical between the claimed invention and the accused technology.

(2) An element recited in the asserted claim and the corresponding equivalent in the accused technology accomplish substantially the same function and result.

(3) Interchangeability between the element recited in the asserted claim and the corresponding equivalent in the accused technology should be obvious to a person skilled in the art.

(4) Accused technology not in public domain: the accused technology was neither already known, nor easily derived from the technology known by a skilled person at the time of filing the application for the patent.

(5) No prosecution history estoppels: the accused technology was not intentionally excluded from the claims of the patent during patent prosecution.
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I. An Overview of Korean Patent Litigation
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V. Conclusion
“Even before a decision of a patent invalidation trial is finalized, when it is obvious that the patent will be invalidated by the patent invalidation trial, the demand for injunction or compensation for damages based on the patent right in question shall not be granted as an abuse of patent right unless there are particular reasons to view otherwise. The Court in charge of a patent infringement litigation has a right to review and rule on the inventiveness of a patent in question when the Plaintiff’s demand is contested as falling under abuse of patent right...”
Invalidity Defense

- Unenforceable as an abuse of right: the defendant may argue that the asserted patent is invalid without filing an invalidation trial.

- In response to the invalidity accusation, the patentee may seek for correction of issued claims in a pending invalidation trial or in a separate correction trial.

§ The Court hearing an infringement action may make a decision in consideration of the requested correction of the patent which is not yet finally granted.
Defense on FRAND Obligation

Samsung Electronics v. Apple Inc.
(Seoul Central District Court decision 2011 GaHap 39522, 24 August 2012)

Apple’s Defense:

i) A license agreement was established through Samsung’s FRAND declaration (an offer of license) and Apple’s practice of Samsung’s patents, which amounts to a consent to the license offer;

ii) Samsung’s demand for injunction after its FRAND declaration is a violation of the principle of estoppel;

iii) Samsung’s demand for excessive loyalty beyond the FRAND terms is an abuse of patent rights;

iv) Samsung’s demand for injunction against the alleged infringement of SEPs is in violation of the Korean Monopoly Regulation and Fair Trade Act.
Defense on FRAND Obligation

The Court rejected Apple’s allegations:

i) Samsung’s FRAND declaration may not be viewed as an offer of license → No License

ii) A FRAND declaration may not be viewed as an intent to abandon the right to injunctive relief → No Estoppel Violation

iii) Both parties failed to negotiate a license agreement in good faith, there is no proof to admit that the required royalty was excessive, and Apple used the asserted SEPs without a request for a grant of license or a prior consultation for their use → No Abuse of Rights

iv) There is no proof to admit that Samsung had an intent to manipulate the market and that the demand for injunction was to put remarkably discriminative and unjust conditions against Apple. There is no proof to admit that Samsung intentionally concealed the standard-related patents or deceived the ETSI. → No Violation of MRFTA
Conclusion

- Increasing number of patent disputes
- Be prepared for invalidity defense (claim harmonization, prosecution estoppel)
- Collection of evidence is essential
- Insufficient damage award
- Effective use of IPT proceedings
MIP - IP in Asia Forum 2015

ANTITRUST CONCERNS IN ENFORCING IPRs

June 2015

Keejeong Kim
Yulchon LLC
kimkj@yulchon.com
IP and Antitrust Law

IP lawyers are from Mars,
Antitrust lawyers are from Venus.
**Exclusivity in Martian** does not translate into **Monopoly** in Venusian.

- “This confusion led judges to suppose that there is an inherent tension between intellectual property law, because it confers *monopolies*, and antitrust law, which is dedicated to overthrowing monopolies. That was a mistake.”
- “One does not say that the owner of a parcel of land has a monopoly because he has the right to exclude others from using the land.”

Antitrust Regulations on IP

Monopoly Regulation and Fair Trade Act ("MRFTA")

- “This Act shall not apply to any act which is deemed a proper exercise of the right under the Copyright Act, the Patent Act, the Utility Model Act, the Design Protection Act or the Trademark Act.”
  (MRFTA Art. 59, amended on Aug. 8, 2007 to add the word “proper”)
- Does it really add something?
  - How could it be determined whether an exercise of IPR is “proper” or not?
  - Does it have a different meaning than “being in compliance with antitrust regulations?”
“Guidelines on Examination of Unjust IP Practices”

- in order to secure consistency and foreseeability in enforcing antitrust laws in the area of IP,
- complements MRFTA by providing criteria for determining illegality of various types of IPR abuse, regarding:

| Acquisition of IPRs | Litigations | License agreements, or refusal to grant license | Tying-ins | Covenants not to challenge IPRs | Patent pooling | Standard Essential Patents (SEPs) | Settlement of IP disputes | Non-Practicing Entities (NPEs) |
“Guidelines on Examination of Unjust IP Practices”

- apply to transactions or any other acts of foreign business entities, as long as they affect domestic market, regardless of whether the entities have branches in Korea or whether the opposed party is a domestic entity.
Principles in the Guidelines

Rule of Reason | Effects-based approach

- rather than ‘per se’ rule and formalistic approach
- balancing between protecting IPRs and anti-competitive effects on the markets
- Exclusivity on IP does not presume monopoly or dominating power on the market.
- Assertion of IP of a dominant undertaking is not by itself abuse of IP or anti-competitive.

Non-exhaustive

- Unjust conducts not enumerated in the Guidelines may be regulated by MRFTA.
Focus on *anti-competitive* practices

- rather than on unfair trade practices
- IP practices of a *sole entity* (e.g. refusal to grant license, discriminatory licensing terms, unreasonably high royalties) are subject to the regulations under the Guidelines only when the entity has *overwhelming dominance* on the market.
- MRFTA and other guidelines may still apply, but the amendment reflects recent shift of the focus.
Notable Amendments in the Guidelines

Standard-Essential Patents ("SEPs")

- SEPs may indicate market dominance.

- Abuse of SEPs under the Guidelines includes:
  - Unjust collusion during the course of standard setting on price, amount, geographical market, scope of licensee, limitation of further development of the technology
  - Patent hold-up
  - Unjust refusal to grant license to SEPs on FRAND terms
  - Unjust discrimination between licensees
  - Imposing unreasonably high royalties
  - Seeking prohibitive orders from court on FRAND-committed patents against willing licensees
Non-PRACTICING ENTITIES (“NPEs”)

- Examples include:
  - Imposing royalties significantly unreasonable compared to customary level
  - Privateering (i.e., acquiring FRAND-committed license and then refuse to grant license on FRAND terms)
  - Collusion between consortium members on refusing license grant or licensing on discriminatory terms against non-members
  - Fraudulent lawsuits (e.g., assertion of patents without disclosing necessary information for infringement)
Notable Amendments in the Guidelines

Resale Price Maintenance – History

- MRFTA Art. 29 (1) provides RPM is illegal, while maintenance of ‘ceiling’ (‘maximum’ RPM) may be exceptionally allowed by rule of reason. Therefore, maintenance of ‘floor’ (‘minimum’ RPM) was thought to be per se illegal.
- However, it was widely acknowledged in academia that RPM may foster competition between brands under certain circumstances.
- In Callaway Korea v. KFTC, 2010Du9976 (SCt., 2011), the Supreme Court remanded the case to the appellate court on the ground that the court found the RPM in question illegal without allowing the plaintiff an opportunity to prove pro-competitive effects of the RPM.
Notable Amendments in the Guidelines

Resale Price Maintenance – Current Guidelines

- **deleted** the part that read “minimum RPM shall be deemed illegal *per se* without assessing its impact on the market.”

- provide that “RPM lacking justifiable reasons,” whether minimum or maximum, is illegal.

- Another KFTC Guidelines on RPM in general (2012) still provide that minimum RPM is *per se* illegal, but in light of the change in the case law, those Guidelines would be practically no longer effective.

- A proposed amendment of MRFTA Art. 29 to accommodate to the change in the case law is currently pending in the Parliament.
# KFTC Procedures

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<th>Investigation</th>
<th>Deliberation</th>
<th>Decisions</th>
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<td>• Report of violation</td>
<td>• Summons</td>
<td>• By a chamber (3 commissioners) or the plenary session (9 commissioners)</td>
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<td>• Fine</td>
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### Appeal
- **Within 30 days**
- To be decided by the plenary session

### Appeal
- **Within 30 days**
- To be decided by the plenary session
KFTC & Court Procedures

Commencement
- Report of violation
- Ex officio
- Request for preliminary investigation

Investigation
- Summons
- Appraisal
- Order to report facts and/or present supporting materials and detention thereof
- Investigation on site and detention of vulnerable proofs

Deliberation
- By a chamber (3 commissioners) or the plenary session (9 commissioners)
- Quasi-judicial, adversary procedure (Investigator v. the accused)
- Opportunity to attend the procedures and present opinions

Decisions
- Orders to rectify violation
- Fine
- Criminal charge
- Recommendations
- Order to publish the decision

Lawsuit
- Seeking invalidation of KFTC decision
- Within 30 days
- Under exclusive jurisdiction of Seoul High Court

Supreme Court
<table>
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<td>• Courts are not bound by decisions of KFTC</td>
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