

South Korea

Courts act to strengthen patent protection

By **Stephen T Bang**, Kim & Chang

When searching for the term ‘patent infringement litigation’ on Google, the results are likely to include a Wikipedia link, news about recent high-profile US lawsuits, links to law firm websites and patent blog posts. Only if you add the word ‘Korea’ to the search does substantive information on patent litigation in that country appear. Many of those search results reference the infamous *Apple v Samsung* litigation, which captured the attention of so many legal scholars, tech geeks and even common consumers. Although the results vary depending on the news on any given day, this example illustrates the point that traditionally, Korean patent litigation has never been a hot topic for the mass media. However, in the wake of recent global patent litigation trends, and particularly *Apple v Samsung*, this situation is changing and the Korean courts are taking notice.

For multinational corporations, the threat of being sued for patent infringement in multiple countries is omnipresent. Of course, the risk was always clear: if a company chooses to sell a product in a particular country, that company will bear the risk of being sued for any number of reasons. Yet it was hard to imagine that many companies would defend themselves against patent infringement claims in multiple countries at the same time. On the other side, it was equally hard to imagine that a company would be the aggressor in patent battles in multiple countries at the same time. Clearly, that game was perceived to be reserved for the heavyweights.

Today, however, companies of all sizes are realising that patent infringement litigation is no longer a single-country battle and global patent litigation is becoming more common due to increasing globalisation. Korea, as a fast-developing country, recognises and fully embraces this trend. It is undeniable that Korea has experienced phenomenal economic growth and international acclaim in recent years. The Korean government and the courts are making noticeable efforts to adapt and to demonstrate to the international community that being put in the spotlight entails great responsibility.

Historical assumptions about Korean patent litigation

Widely publicised patent litigations such as *Apple v Samsung* have brought attention to the Korean legal arena, which previously seldom created international news. In fact, certain traditional assumptions and misconceptions about Korean patent litigation likely discouraged some companies from investing in the development of large patent portfolios or from asserting patent infringement actions in Korea. Since the Korean legal system is largely based on that of Japan, which itself is based on the German legal system, fewer precedential cases provide guidance on the law compared to other countries (eg, the United States). For this reason, the application of Korean law is perceived to be unpredictable. There has also been a perception that it is difficult for foreign (non-Korean) companies to obtain a favourable result in Korean patent litigation. Recent decisions from all levels of the Korean courts suggest that this is changing, and that if those assumptions and perceptions were ever true, they are true no longer. As the cases discussed in this chapter demonstrate, foreign companies

are seeing positive signs suggesting that the Korean courts can be impartial and are making a conscious effort to provide guidance on the law, rendering concrete and well-reasoned decisions.

The case heard around the world

After Apple filed a patent infringement lawsuit against Samsung in the United States on April 15 2011, Samsung filed patent infringement lawsuits against Apple in three countries (Korea, Japan and Germany). As part of the global dispute between Apple and Samsung, the parties had three lawsuits pending against each other in Korea. Of these three, two have resulted in decisions by the Seoul Central District Court:

- Apple’s lawsuit against Samsung asserting a combination of patents, designs and unfair competition claims; and
- Samsung’s lawsuit against Samsung asserting four standards patents and one implementation patent.

For the first time in the history of Korean patent litigation, the decisions for these patent infringement litigations were reported around the world. In two separate decisions, each numbering in the hundreds of pages, the court held that Apple had infringed two Samsung patents and Samsung had infringed one Apple patent. Samsung was ordered to pay KRW25 million (\$22,000) and Apple was ordered to pay KRW20 million (\$18,000)

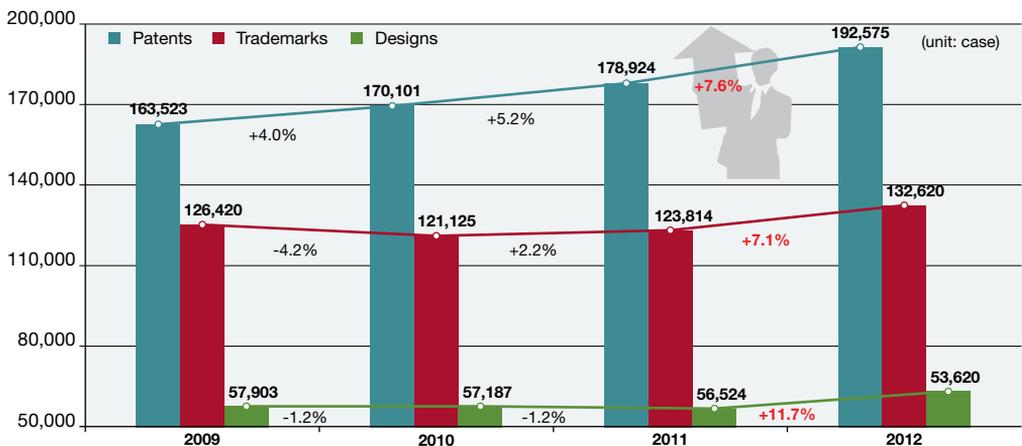
per infringement – thus, a total of KRW40 million (\$36,000) (*Apple Inc v Samsung Electronics Co, Ltd*, Seoul Central District Court, Case 2011Gahap63647, August 24 2012).

Although many anxious observers monitoring this global patent battle might have expected Samsung to benefit from a sweeping victory in its home country, the outcome may have surprised some people. The Korean decisions were announced a day before the US District Court for the Northern District of California announced its now-infamous \$1 billion judgment against Samsung. Irrespective of differing public opinion on these decisions, it is clear that global news coverage of the case and the Korean decisions helped to change the environment for IP protection and enforcement in Korea.

For example, as shown in Figure 1, there have been significant increases in Korean Intellectual Property Office (KIPO) filings for all types of intellectual property. In 2012 patent filings increased by 7.6% on the previous year, compared to a 5.2% increase during 2011. Trademark filings also increased by 7.1% on the previous year, compared to a 2.2% increase in 2011. Design filings increased by 11.7% on the previous year, compared to the trend of decreased filings in the two previous years. There has been some speculation that this growth is the result of media coverage of *Apple v Samsung*.

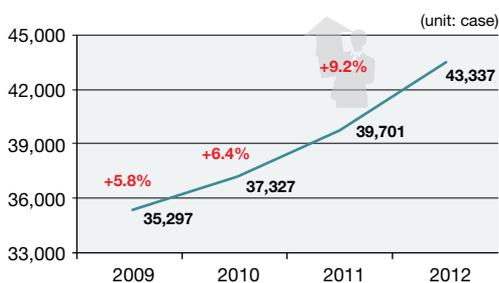
Figure 1: IP filings in Korea (domestic and foreign applicants)

Source: KIPO



The statistics suggest that this increase in filings is not limited to domestic filers. Figure 2 shows that in 2012 foreign company filings increased by 9.2%, compared with the two previous years of 6.4% (2011) and 5.8% (2010).

Figure 2: IP filings in Korea (foreign applicants)



Source: KIPO

First decision upholding validity of selection invention patent

For many years the Korean courts have applied the patentability standards for selection inventions very strictly. The standards were so difficult to meet that no Supreme Court decision had ever upheld the validity of a selection invention. *Eli Lilly and Company v Hanmi Pharmaceutical* (Supreme Court Case 2010Hu3424; August 23 2012) is notable for breaking that longstanding record by upholding the validity of a selection invention and is a positive sign that the Supreme Court is beginning to relax its application of these standards.

A commonly employed patent litigation strategy in Korea is to file one or more invalidity actions before the Intellectual Property Tribunal (IPT), which is the administrative arm of KIPO and is vested with the authority to hear invalidity actions. Invalidity actions are commonly asserted as a defensive tactic in patent infringement lawsuits. Although the Korean legal system is bifurcated (ie, patent infringement actions are litigated in court, but patents can be nullified only in a separate invalidation action filed with the IPT), an IPT decision invalidating the patent at issue in the co-pending lawsuit can serve as leverage against the patentee.

In recent years the invalidity rate has been decreasing and even the IPT commissioner was quoted as saying that it is “necessary” to reduce the invalidation rates in Korea. Thus, the IPT seems to be following the trend of strengthening patent protection. There are also signs of the Patent Court working more closely with the IPT, suggesting that the Patent Court’s reversal rate of IPT decisions will continue to drop, as seen in recent years.

Eli Lilly is an example of Korean courts recognising the need to strengthen patents and is being hailed as a landmark decision for pharmaceutical patentees. For the first time the Supreme Court upheld the validity of a patent for a selection invention. The patent at issue was Eli Lilly’s patent for the active pharmaceutical ingredient of the drug sold under the trade name Zyprexa® (later known by its generic name, olanzapine), which is used to treat schizophrenia and bipolar disorder. One of the references cited as prior art described a large number of compounds in a general chemical formula which encompassed olanzapine, but did not specifically disclose the compound. For this reason, olanzapine was considered to be a selection invention.

In its previous decisions, the Supreme Court invalidated all prior selection invention patents by imposing strict patentability requirements for a selection invention:

- A selection invention should not be specifically disclosed in the prior art or should not be recognisable from the prior art by a person skilled in the art (the novelty requirement).
- The selection invention should provide either qualitatively different effects or quantitatively much superior effects (the inventiveness requirement).
- Such effects should be clearly described in the specification as originally filed (the description requirement).

The key issue in this case was the question of what qualified as ‘qualitatively different effects’. Portions of the specification cited dog toxicity studies demonstrating that olanzapine did not cause a rise in cholesterol, compared to the closely analogous compound. While the IPT agreed that these studies were sufficient to meet the strict standard for selection

inventions and confirmed the validity of the patent, the Patent Court disagreed and reversed the IPT decision by concluding that these cholesterol-related effects were not remarkably superior, based on the rationale that such effects are common side effects. The Supreme Court disagreed with the Patent Court and upheld the validity of the patent by finding that the studies were detailed descriptions satisfying the strict standard by showing that there were qualitatively different effects. It is this definition which marks the decision as a landmark case.

Correction petition becomes sharper tool for enforcing patents

In *Mitsubishi Chemical Corp v Intematix Corp* (Seoul Central District Court, Case 2011Gahap138404, February 5 2013) a Japanese patentee successfully obtained a finding of infringement (a permanent injunction) against US defendant Intematix and Korean company GVP Co Ltd by persuading the court that the defendant's abuse-of-right defence should be denied. Specifically, for the first time in Korean law, the court recognised that if the patentee files a petition for correction and demonstrates that the correction would likely render the claims valid, that may be sufficient to deny the defendant's abuse-of-right defence without any need to review the validity of the original patent further.

Although filing an invalidity action is a common strategic defence against a patent infringement action, it is also common for the patentee to respond by filing a correction petition with the IPT, which seeks to narrow the claims and 'correct' potential deficiencies within the framework of the invalidation action. This has always been a critical step in the patent enforcement process, but this recent decision suggests that the debate surrounding the correction petition will become even more of a focus.

Since a patent infringement court action proceeds independently from the IPT invalidation action (under the bifurcated Korean legal system), and the court cannot invalidate a patent (only the IPT has authority to do so), the timing of the two decisions and how they affect each other often becomes an issue. For example, when the IPT renders a decision allowing the

requested correction, but that decision is not yet final because the Patent Court has not yet affirmed the IPT's decision, there is often fierce debate between the parties as to whether the original claims or the corrected but not finally adjudicated patent claims should be the basis for the court's decision in determining whether infringement exists.

Often the court has denied infringement based on the abuse-of-right defence if it believed that the patent was likely to be invalidated. However, in this case the court accepted the patentee's argument that the abuse-of-right defence should be denied since it was proven that the correction would likely render the claims valid (the amendments were clearly acceptable), without any need to review the validity of the original patent further.

This decision is significant because it demonstrates that:

- patentees can now expect to obtain the remedies that they seek against defendants earlier than before, without the need to wait for the decision on the correction petition becoming final; and
- the courts are making perceptible efforts to provide guidance in the form of case precedents.

Correction petition may be equally powerful when asserting preliminary injunction action

Mitsubishi made clear that the court may deny a defendant's abuse-of-right defence if the patentee can demonstrate that a correction petition would likely render the likely invalid claim valid, when applied to a main infringement (as opposed to a preliminary injunction action – a separate action under Korean practice). Building on that case, *Pfizer, Inc v CJ* (Seoul Central District Court, Case 2012Gahap515, May 20 2013) serves as a recent example of the Korean courts following their own trend of strengthening patent rights and rendering decisions that examine the core issues, rather than focusing on the complications caused by the bifurcated legal system.

Prior to this case being filed, local generic companies pre-emptively attempted to invalidate Pfizer's patent covering the main indication of Lyrica®, one of Pfizer's top-selling drugs. In response to these invalidation

actions, a correction petition was filed to overcome some of the invalidation grounds. Before the IPT could rule on the correction petition, CJ began selling generic products that Pfizer believed infringed its patent. Pfizer filed a preliminary injunction action against CJ in the Seoul Central District Court, and the IPT then rendered a decision granting the correction petition and upholding the validity of Pfizer's patent. However, since the IPT decision was appealed, the correction of Pfizer's patent was not finalised. Thus, the procedural history of this case closely parallels *Mitsubishi*, except that *Pfizer* was a preliminary injunction action.

As in *Mitsubishi*, the court held that since Pfizer could demonstrate that the corrected patent was likely to be held valid, CJ's abuse-of-right defence should be denied.

While a correction petition appears to be an increasingly powerful tool in the wider patent litigation field, the scope of amendments that can be made by a correction petition is limited (generally, claims can only be narrowed).

Comment

The message that these cases present is clear: the Korean courts are continuing to strengthen patents and foreign companies are learning that building a robust patent portfolio in Korea is starting to pay off. **iam**

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