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Report Q 157

in the name of the Korean Group
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The Relationship Between Technical Standards and Patent Rights

1. Basis for technical standards

A. What types of national and international standards exist in your country? By whom are these standards set up? Are there de jure and/or de facto standards?

There are two de jure standards in the Republic of Korea ("Korea"), and they are the Korean Industrial Standards ("KS"), which is a national standard established under Article 4 of the Industrial Standardization Act, and Telecommunication Technology Association Standards ("TTA Standards").

KS is established by the Agency for Technology and Standards ("ATS") of the Ministry of Commerce, Industry and Energy. TTA Standards are established by Telecommunication Technology Associations ("TTA").

As a representative for Korea, ATS has been a member of the ISO and IEC international standardization bodies and the Pacific Area Standard Congress (PASC) which is the regional standardization body.

B. Who is the addressee of the standards and in which technical field do standards apply? Are the Groups aware of any standards which explicitly refer to patents?

Any entity which manufactures mining or industrial products, or which uses processing techniques for mining or making industrial products, in Korea or in a foreign country, may be permitted to use a KS mark. TTA Standards are provided for electrical communication services, manufacturers of communication equipment, and manufacturers of cordless equipment such as cellular telephones and the like.

KS applies to the technical fields of mechanical engineering, electrical and electronic engineering, metallurgy, mining, civil engineering and architecture, household goods and office supplies, food products, textiles, ceramics, chemical engineering, medical equipment, transportation machinery, shipbuilding and aircraft/aviation. TTA standards apply to the field of telecommunication technologies.

KS section A 0001 recommends that if a KS includes a technique which is the subject matter of a patent, the introduction and commentary of the particular KS should include a noti-

ce stating that observance of the KS may result in application of a technology covered by a patent.

C. What is the legal effect of standards? Are they enforceable? If so, how are they enforced? The Groups are invited to distinguish between the types of standards involved according to question 1.1 above.

KS and TTA standards are not enforceable.

Korea has a KS marking certification system for certain items which are designated by the Ministry of Commerce, Industry and Energy. An example of such an item is a standard electrical connection. With respect to these specific items, the Korean Standards Association has the responsibility to certify conformity of the products to KS, as a certification authority. An entity which obtains a KS marking certification has the right to mark its product so designated or publicly announce that the product complies with the requirements of the KS. Those who have not obtained a certification should not mark KS on their products or printed matters for advertisement. Government entities or organizations such as local government agencies, government-subsidized agencies and public agencies must preferentially purchase KS marked products. KS marked products are exempted from certain inspections, examinations, tests, other certifications and types of approvals to some degree.

2. Possible conflicts between technical standards and IPR

A. What possible conflicts do the Groups see with regard to the relationship between patents and standards?

Although patent-related matters can be included in technical standards, conflicts between a patent and a standard can be settled amicably if the owner of the patent permits use of the patented invention under non-discriminatory and reasonable terms. However, conflict between a patent and a standard may be aggravated when the owner of a patent refuses to license, or provides a license under discriminatory and unreasonable terms (especially under de facto standards). The conflict may be more serious if existence of the patent is discovered after the standard has been established and the owner of the patent refuses to license. The worst case is when the owner conceals its patent intentionally during the process of standardization.

KS and TTA standards are established such that they do not include patent-related matters which cannot be licensed under non-discriminatory and reasonable terms. If such matters are included in KS or TTA standards, the standards are revised so that they can be used properly.

B. Which issues do the Group find relevant with regard to confidentiality, concerning namely the relations between the parties involved in setting up a specific standard or the preservation of confidentiality? Should there be rule for the handling of information obtained during the period of setting up a standard? Likewise, should there be rules for the filing of patent applications during said period? If so, what should the rules be?

Applicants for standards or establishers of standards have access to public information such as published "laid-open" patent applications or issued patents to investigate whether

standards include patent-related matters. However, they cannot obtain information concerning technology for which patent applications have been filed but which have not been laid-open. Therefore, there should be a duty to disclose for applicants of standards to provide information to standard establishers on relevant technology they intend to patent but which has not been filed or laid-open, during the standardization process.

A system should be established with administrative rules for maintaining confidentiality of unpublished information disclosed during the process of standardization.

C. Are there any issues with regard to the territorial aspect (scope of protection and application of the standard)? What differences do the Groups see with regard to patents of members of the standardization organization and of non-members?

It appears that there are no specific issues with regard to territorial aspects in Korea. KS and TTA standards apply in the entire territory of Korea. Foreign manufactures for mining or industrial products or foreign users of processing techniques for mining or industrial products may obtain KS marking certificates.

There seems to be no difference in treatment between patents of members and patents of non-members for both of the KS and TTA standards.

D. Are there rules for patent pools or discrimination against non-members which might constitute a conflict?

No.

3. IPR policies, conflict resolution means

A. How and by whom should the relevant or "essential" IP rights be determined? Should the members of the respective organization be required to reveal their relevant IP rights? What should be the consequences if a member does not reveal an IP right? How does this affect the disclosure of new inventions or technologies?

For KS, an applicant for a standard, the Commissioner of ATS or an interested party, should investigate patents relevant to the standard and submit the results of the investigation together with the proposal for the standard. The proposed standard and the patent investigation results are reviewed by the Industrial Standards Committee of the Ministry of Commerce, Industry and Energy, which will decide on whether the proposed standard includes a technique which is the subject matter of a patent.

For TTA standards, if a standard applicant or an interested party recognizes the possibility that a patent may be relevant to the proposed standard, it should notify the Commissioner of TTA and provide relevant information. The TTA Commissioner should request the appropriate TTA subcommittee to review whether the patent is essential for the standard.

The Commissioners of ATS, TTA and Industrial Standards Committee are not responsible for investigation of patents which are related to standards. It appears that members of standards organizations are presently not obligated to reveal their relevant patents.

B. *Can the owner of an IP right which has been detected as relevant be forced to let it be used for standardization? If so, should this be done by way or licensing? Can the owner deny the use of the IP right?*

The owner of a patent, which has been found as being relevant, may refuse to permit use of the patent, for both KS and TTA standards.

C. *What should be the consequences of such a denial for the standardization process? Can the membership or the participation in the standardization process be made subject to an undertaking to grant licenses or to make the technology protected by IP rights otherwise available?*

In standardization processes for KS and TTA standards, the standards establisher requests the owner of a patent which has been discovered as being included in a proposed standard, to submit a written confirmation. The written confirmation states that the owner of the patent will permit use of the patent "without royalty and with non-discriminatory terms" or "with non-discriminatory terms under reasonable conditions." The proposed standard should not be reviewed unless the requested confirmation is submitted. Further, if it is found that a standard includes patent-related matters after the standard has been adopted, the owner of a patent is requested to submit such a written confirmation. The standard will undergo amendment or be abolished if the requested confirmation is not submitted.

The obligation to grant license is not different for patent owners who are members of the organization or a participant of the standardization process.

D. *In which way and by whom should conflicts between a member and the organization or between members be resolved? The Groups and invited to give their comments on the pros and cons of internal arbitration proceedings on the one hand and of national court proceedings on the other hand, as far as particular conflicts with regard to standards and patents are concerned.*

There are no specific internal proceedings for settlement of conflicts between standards and patents. Such conflicts may be resolved by way of general settlement proceedings.

4. License policies, royalties

A. *Who determines the conditions of a license agreement? What are reasonable royalties? How and by whom can the non- discriminatory character of conditions be defined? Is there any impact, and if yes, which impact does Art. 31 TRIPS have on this type of licenses?*

For KS, the Commissioner of ATS determines whether the license terms are non-discriminatory and reasonable and decides whether to include the concerned technique into the standard.

For TTA standards, a relevant TTA subcommittee decides whether or not the license conditions are non-discriminatory and reasonable.

B. Do the Groups see general principles for license conditions? The Groups are invited to submit factual comments on the licensing policy invited in standards, i.e. in comparison to the policies for amicable license agreements.

License conditions should be "non-discriminatory" and "reasonable" for both KS and TTA standards. The reasonableness of a condition is based on balance and harmony between the need to protect patents as a private right with the benefit to the public accruing from standardization. Non-discriminatory conditions are recognized where there is no discrimination in conditions granted to a licensee under all comparable circumstances.

C. What are the consequences if an agreement can not be reached between the patent holder and the licensee? How should royalties finally be determined?

If an agreement cannot be reached between the patent holder and the potential licensee, royalties may be determined by means of normal conflict settlement proceedings.

D. What is the legal quality of the undertaking to grant licenses (e.g. third party beneficiary)? Are the rights of a member or of a third party to challenge the validity of the patent affected in any way by this undertaking? Does the patent holder retain the right to enforce the patent against third parties or the member and, if so, under which conditions?

A written confirmation is submitted by the owner of a patent to the standards establisher and it should state that the owner of the patent will permit utilization of the patent by anyone under non-discriminatory and reasonable terms. Therefore, a third party who wishes to practice the standard at issue would have the right to demand grant of a non-exclusive license from the owner of the patent. Such a written confirmation may constitute a "contract in favor of a third party" under Korean laws.

According to Korean judicial precedents, a non-exclusive licensee to a patent is not barred from demanding invalidation of the patent. Thus, the rights of a member or of a third party to challenge the validity of a patent at issue, is not affected even after grant of a license to the patent. The patent holder retains the right to enforce the patent against a member or a third party until the member or third party actually becomes a licensee.