

**Report Q203**

in the name of the Korean Group  
by Sun R. KIM

**Damages for infringement, counterfeiting and piracy of Trademarks**

**Questions**

**1) The state of the substantive law in the countries**

- 1) *The Groups are invited to indicate, in summary form, if their national law distinguishes between different kinds of infringement, counterfeiting and piracy of trademarks and what the conditions are for liability for those different kinds of infringement, counterfeiting and piracy.*

*The Groups are also invited to indicate if these various forms of the violation of trademark rights have an impact on the monetary compensation to be provided to the trademark owner.*

The Korean national law does not distinguish between different kinds of infringement, counterfeiting and piracy of trademarks. The protection of a trademark is provided under the Korean Trademark Act and Unfair Competition Prevention and Trade Secret Protection Act. There are no specific anti-counterfeiting provisions or piracy provisions under the Korean Law. Since the term "counterfeiting" or "piracy of trademark" is not legally recognized term under the Korean Law, there is no particular distinction between different kinds of infringement. Under the Trademark Act, an act of infringement is an act of using a trademark identical with a registered trademark of another person on the goods similar to the designated goods, or using a trademark similar to the registered trademark of another person on the goods identical with or similar to the designated goods; an act of delivering, selling, forging, imitating or possessing a trademark identical with or similar to the registered trademark or another person with intention to use.

- 2) *The Groups are asked to present in a summarised form the legal theories in their respective jurisdictions for the assessment of damages for the violation of trademark rights.*

*Is this assessment based on the ground of civil liability or on the ground of violation of property ownership or some other ground(s)?*

This assessment is based on the ground of violation of property ownership.

- 3) *The Groups are asked to indicate what factors are taken into account in the assessment of damages and how the value of the trademark is used in this assessment.*

- a) *Do the Courts take into consideration how strong the trademark is, both in terms of its inherent distinctiveness and popularity acquired through use and publicity?*

No.

- b) *Do the Courts take into consideration the investment made by the trademark owner in order to make the trade mark known?*

No.t

- c) *Do the Courts consider what direct effect the infringing activity has had on the trademark proprietors profitability? If so, how?*  
No.
- d) *Do the Courts take into account price erosion? If so, how?*  
This area of law is still very murky. The Courts may take price erosion due to infringement as loss of profit.
- e) *Do the Courts distinguish between actual lost sales ( i.e; the sales which would otherwise have been made by the trademark owner) and all sales made by the infringer? If so, which sales matter?*
- f) *Do the Courts treat parallel imports differently? If so, what is the legal basis for this differentiation?*  
No.
- 4) *In case the compensation is evaluated on the basis of lost profits of the trademark owner or an account of the profits arising from infringement:*
- a) *What are the key principles?*  
Under the Article 67 (1) of Trademark Act, they are calculated as the number of transferred articles multiplied by the profit per unit of the articles that the owner of the trademark right or exclusive licensee might have sold in the absence of the infringement. In this case, the compensation may not exceed an amount calculated as follows: the estimated profit per unit multiplied by the number of articles that the trademark right owner or licensee could have produced subtracted by the number of articles actually sold, provided that where the owner of the trademark right or exclusive licenses fails to see his or her product for reasons other than infringement, a sum calculated according to the number of articles subject to the circumstances shall be deducted.
- b) *How are the profits defined and how are they calculated?*  
Profit is the difference between revenue and the cost of making/acquiring the product bearing the illicit sign including all the operating expenses.
- c) *What shares of the profits are attributed to the trademark owner and any licensees?*  
All the profits are attributed to the trademark owner.
- d) *Does the strength of the trademark come into play in apportioning the profits?*  
No.
- 5) *In case the monetary compensation is assessed on basis of a royalty,*
- a) *How is the royalty rate fixed?*  
The Courts will usually assess the royalty rate according to the going rate in the industry of the infringed goods in question. If none, the Courts will revert to experts to produce suitable going royalty rate.
- b) *Do the Courts consider whether the mark in question is one which is or was available for licence? If so, how does this affect their analysis?*  
No.
- 6) *The Groups are asked to summarise what information in relation to the unlawful activities causing the violation of the trademark can be obtained by the trademark owner in administrative or judicial proceedings in order to assess the level of monetary compensation.*

Under the Korean law, there are no discovery proceedings available. Trademark owners have a limited access to information in relation to the unlawful activities causing the violation of the trademark in administrative or judicial proceedings. The prosecution office or the Court would not share the information relating to the unlawful activities with the trademark owner.

- 7) *One of the forms of the prejudice suffered by the trademark owner through the infringement is the damage to the trademark in a reputational sense (diluting exclusivity). The Groups are invited to report if this form of prejudice is considered by the Courts and what are the factors that are used in their evaluation?*

Under Unfair Competition Prevention and Trade Secret Protection Act, an act of doing damage to distinctiveness or reputation attached to another person's sign by using the sign identical or similar to another person's name, trade name, trademark, container or package of goods, or another sign widely known in Korea with such sign, without due cause as prescribed by Presidential Decree for instance non-commercial use is subject to liability for compensatory damages. The damage to the trademark in a reputation sense requires intentional act of unfair competition. Mere negligently causing damage to another's person's reputation is not liable for compensation of damages

This form of prejudice is not considered by the Courts in assessing damages.

- 8) *The Groups are also asked to indicate if the moral/wilful element of the violation of a trademark right, and particularly the will to profit or gain from counterfeit activities (where the goods do not originate from the trademark proprietor or are not marked with his consent) is taken into consideration in the evaluation of the damages and/or the account of profits. If so, what are the consequences?*

The moral/wilful element of the violation of a trademark right, and particularly the will to profit or gain from counterfeit activities is not taken into consideration in the evaluation of the damages and/or the account of profits.

*The Groups are also asked to indicate if ignorance of the trademark and/or ignorance of the infringement is taken into consideration in the evaluation of damages or the account of the profits.*

*Finally, is the scale of the counterfeiting or piracy an additional element which influences the assessment of damages and/or account of the profits? If so, what are the consequences?*

No.

- 9) *Is the evaluation of damages based on the same principles in cases where the infringement also constitutes a violation of a contractual obligation, for example, a violation of a licence?*

Yes. There is no significant difference in evaluation of damages in either case.

- 10) *The Groups are also invited to explain the problems and practical difficulties that the trademark owners face in the assessment of the damages and/or account of the profits for the violation of trademark rights?*

- 11) *In some cases the national law may provide, as a remedy for the violation of the trademark right, for the confiscation of the products bearing the illicit sign.*

*If this applies in their national law, the Groups are asked to indicate, if this confiscation influences the evaluation of the damages.*

As a remedy for the violation of the trademark right, the Korean Law provides for the confiscation of the products bearing the illicit sign. The amount of confiscated products bearing the illicit sign will be deducted from the amount of the evaluated damages.

- 12) *The Groups are asked to indicate if the jurisprudence in their countries is a useful source of information and comparison on the assessment of monetary compensation for the violation of the trademark rights.*

*In this context, the Groups are invited to indicate if they are satisfied with the degree of certainty in their laws on evaluation of the compensation.*

- 13) *The Groups are finally asked to explain any other issues related to the topic which would appear useful in the examination of the question.*

## **II) Proposals for the future harmonisation**

- 1) *The Groups are requested to indicate if the evaluation of damages for violation of the trademark rights should be the subject of the international harmonisation and if this harmonisation should be undertaken through an international treaty.*
- 2) *The Groups are requested to indicate what should be, based on their national experience, the harmonised system for the evaluation of damages for violation of the trademark rights.*
- 3) *The Groups are invited to make any other suggestions about possible future developments of the present question.*