



Date: 7th June 2015

Q245

Taking unfair advantage of trademarks: parasitism and free riding

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Date	18-05-2015

I. Current law and practice

1) Do the laws of your jurisdiction provide for protection against:

a) the taking of unfair advantage of trademarks as defined in these Working Guidelines (see paragraphs 26) and 27) above); and/or

yes

Please comment:

In South Korea, the Trademark Act provides for the protection against registration of unfair trademarks and the Unfair Competition Prevention and Trade Secret Protection Act (the Unfair Competition Act) protects trademarks against the unfair advantages of trademark use.

b) use that you consider similar but outside the scope of the definition in these Working Guidelines?

yes

Please comment:

Both the Trademark Act and Unfair Competition Act provide for protection against use that may be similar, for example, with dilution. For instance, the Trademark Act prevents a third party from obtaining registration of his/her trademark in a bad faith, whereas the Unfair Competition Act prevent the third party from using his/her trademark in bad faith.

For the questions below, if b. applies either separately or in addition to a., please make that clear in any relevant answer.

2) What is this protection called, and is this a definition developed in case law or found in a statutory provision? If such protection is characterised as a form of protection against dilution, please state this and provide any explanation as to the basis for such characterisation.

While protection for free-riding can be found under 7(1)(xii) of the Korean Trademark Act, there is no separate article in its statutory provisions for dilution at the moment; such cases are not handled under the conventional understanding of trademark infringement. Although it is impossible to stop the use of possible problematic trademarks that cause dilution, they can be blocked under 7(1)(xii) of the Trademark Act. However, the Korean Intellectual Property Office (the KIPO) works an amendment of the Trademark Act which is currently pending at the National Assembly and includes dilution in its provisions.

Further, Article 2(1)(x) of the Korean Unfair Competition Act may be used for the prevention of dilution since the following acts are regarded as acts of unfair competition.

"Any other acts of infringing on other persons' economic interests by using the outcomes, etc. achieved by them through substantial investment or efforts, for one's own business without permission, in a manner contrary to fair commercial practices or competition order;

3) If such protection is available, what is the basis for the protection, e.g. trademark law (distinguishing between unregistered and registered trademarks where relevant), unfair competition, consumer protection law, common law? If multiple causes of action are available, is there an interaction between them, and if so, what?

Both trademark law and the Unfair Competition Act can be used.

(1) Article 7(1)(xii) (for trademark registration) of Korean trademark law holds that any trade mark that is identical or similar to another trademark, recognized as indicating the goods of a particular person by consumers inside or outside of the Republic of Korea, and used for an unjustifiable purpose, such as obtaining unfair profits or inflicting harm on a particular person can be protected by law.

(2) The Unfair Competition Act, Articles 2(1)(i) (for goods) and 2(1)(ii) (for services) protects against the unfair use of marks, such as an act of causing confusion with another person's goods by using signs identical or similar to another person's name, trade name, trademark, container or package of goods (commercial facilities) or any other sign widely known in the Republic of Korea as an indication of goods, or by selling, distributing, importing or exporting goods with such sign (indication of commerce).

(3) The Unfair Competition Act, Article 2(1)(x) (for use) is a recently added amendment including "an act of infringing a person's economic interest by using that person's product, which was the result of considerable effort and investment, without authorization for one's business through a method that contravenes fair commercial trade practice or competition order."

(4) This subparagraph may be applicable to the case of a 3-D mark in the shape of the product concerned : The Unfair Competition Act, Article 2(1)(ix) (for use) covers an act of transferring, assigning,

exhibiting, importing or exporting goods whose shape (referred to as the form, image, color, gloss or any combination of these, including the shape of any test product or product introduction), that has been copied from the goods produced by another person. However, this provision does not apply to either of the following acts;

(a) an act of transferring, assigning, exhibiting, importing or exporting goods whose shape has been copied from other goods no more than 3 years after the date on which the shape of the other goods was completed, such as when a prototype was produced;

(b) an act of transferring, assigning, exhibiting, importing or exporting goods whose shape has been copied from other goods that are identical to the goods ordinarily produced by another person (or from other goods whose function or utility is identical or similar to the goods ordinarily produced by another person);

4) What are the elements of any available cause of action, e.g. the requirement for the trademark to be registered, reputation in the trademark, establishment of a link or association with the trademark, bad faith, change in the economic behaviour of consumers, actual advantage, potential future advantage? How are they proven?

(1) The Korean Trademark Act, Article 7(1)(xii), requires that the following elements be established:

- 1) similarity of marks
- 2) relationship of the goods
- 3) some level of reputation or evidence of fame, and
- 4) bad faith.

(2) The Unfair Competition Act, Articles 2(1)(i) & 2(1)(ii) requires that the following elements be established:

- 1) wide recognition
- 2) similarity
- 3) likelihood of confusion

(3) The Unfair Competition Act, Article 2(1)(ix) requires that the following elements be established:

- 1) the transferring, assigning, exhibiting, importing or exporting of goods whose shape has been copied
- 2) the passage of no more than 3 years after the date on which the goods were produced
- 3) the ordinary production of goods

(4) The Unfair Competition Act, Article 2(1)(x) requires the following elements be established.

- 1) infringement of a person's right

2) lack of authorization

3) use of the mark through a method that contravenes fair commercial trade practice or competition order

5) Further to question 4):

a) what degree of reputation, if any, in the trademark is required?

(1) According to the Korean Trademark Act, Article 7(1)(xii), while the mark doesn't have to be famous, it must be recognized as indicating the goods of a particular person by consumers inside or outside of the Republic of Korea.

(2) The Unfair Competition Act, Articles 2(1)(i) & 2(1)(ii) require wide recognition of a trademark.

(3) The Unfair Competition Act, Article 2(1)(ix) and (x) have no requirement. However, in the case of Article 2(1)(x), the trademark should infringe a person's right to profit.

b) who bears the burden of proof regarding the requirements?

In the case of the Korean Trademark Act, Article 7(1)(xii), the person who is opposing the application/registration (including invalidation actions, oppositions, and information briefs) must bear the burden of proof. For the Unfair Competition Act, the plaintiff bears the burden of proof.

c) must the use at issue cause confusion?

no

Please comment:

(1) Confusion is not an exact requirement for the application of the Korean Trademark Act, Article 7(1)(xii), however, if confusion can be proved, it would significantly strengthen the case. Moreover, the similarity of mark is related to confusion.

(2) To apply the Unfair Competition Act, Articles 2(1)(i) & 2(1)(ii), there must be a likelihood of confusion.

(3) For the Unfair Competition Act, Article 2(1)(ix), although there is no requirement, the marks should look similar.

(4) The Unfair Competition Act, Article 2(1)(x) has no requirements.

d) can the protection be invoked in case of both similar and dissimilar goods/services?

yes

Please comment:

(1) The Korean Trademark law, Article 7(1)(xii) may be applied for similar marks even if the goods/services are not similar. However, the relationships between the goods/services may be considered.

(2) For the Unfair Competition Act, Articles 2(1)(i) & 2(1)(ii), there is no requirement about the similarity of goods/services.

(3) For the Unfair Competition Act, Article 2(1)(ix) & (x), there are no requirements, but all previous precedents were made for the cases with similar goods/services.

e) are there any other factors, even if not a separate requirement, that may be relevant, and if so, what are they?

(1) The Korean Trademark Act, Article 7(1)(xii) considers the relationship between goods and services, and if a mark is famous, then bad faith tends to be assumed (based on past precedents).

(2) Under the Unfair Competition Act, Articles 2(1)(i) & (ii), similarity and likelihood of confusion of goods/services are relevant; however, the court does not always determine the applicability of each of the three parameters.

(3) For the Unfair Competition Act, Article 2(1)(ix) & (x) there are no specific requirements.

6) Are there any defences against and/or limitations to the protection?

yes

If so, what are they, and what are the elements of such defences/limitations?:

Defenses against the protection tend to argue the opposite of the opponent, e.g., the defendant need to argue and prove that there was no bad faith, and that not enough fame has been established, and that there is no similarity between the marks, etc.

7) Who bears the burden of proof in relation to any defences and/or limitations? In this context, please also consider the relationship with the element of "unfairness". For example, is it a defence that the use is with "due cause" (see paragraph 31 of the introduction) above and footnote 2) of the introduction? If so, can such use ever be "unfair"? Or is this just a matter of a shifted burden of proof?

The defense bears the burden of proof and "due cause" is not considered defense of use.

8) If a defence exists or only limited protection is available, what rights does that give the free rider? For example, may the free rider simply use the trademark or may the third party obtain a separate trademark registration in respect of the goods and/or services in respect of which the free rider is using

the trademark?
No, no rights are given to the free rider in Korea

9)	Can the protection be invoked in:
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a)	court in civil proceedings;
	yes
	Please comment:
	Yes, in the case of the Unfair Competition Act.

b)	court in other proceedings;
	yes
	if so what other proceedings (e.g. criminal proceedings):
	Only in the case of the Unfair Competition Act Articles 2(1)(i) & (ii)

c)	opposition proceedings;
	yes
	Please comment:
	Yes, with the Trademark Act.

d)	any other?
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10)	If the protection can be invoked in multiple proceedings, are there different requirements for different proceedings? If so, please state the requirements.
	There are no different requirements for the proceedings.

II Policy considerations and proposals for improvements of the current law

11)	Should there be protection against:
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a)	the taking of unfair advantage of trademarks as defined in these Working Guidelines; and/or
	no
	Why not?:

b)	use that is similar but outside the scope of the definition in these Working Guidelines?
	yes
	Why?:
	Dilution is included in the new amendments to the trademark law that are currently waiting for review by the National Assembly.

12)	Is the basis for protection or the cause of action relevant?
	no Why not?:
	Although intention is not required under the law, regardless of whether acts were done unintentionally or with bad faith, action can be taken against an infringer.

13)	Should it be possible to invoke the protection in all types of proceedings mentioned above under 9) above?
	no Why not?:
	Infringement and registration proceedings are handled differently and so it should not be possible to invoke protection in all types of proceedings.

14)	How can your current law as it applies to the taking of unfair advantage of trademarks and/or the interpretation thereof (in particular, in case law) be improved?
	The Korean Trademark Act will be completely amended this year, which will include a new article blocking registration for cases of dilution.

III Proposals for harmonisation

15)	Is harmonisation in this area desirable?
	no Please comment:
	No, not necessarily.

If yes, please respond to the following questions without regard to your national or regional laws. Even if no, please address the following questions to the extent you consider your national or regional laws could be improved.

16)	If your answer to question 11) is no in respect of a. and/or b., is it your view that no such protection should be available anywhere?
	Yes, it is possible for it to exist in places.

17)	Should there be harmonisation of the definition of:
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a)	the taking of unfair advantage of trademarks as defined in these Working Guidelines; and/or
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b)	use that you consider similar but outside the scope of the definition in these Working Guidelines?
	no Please comment:
	The difficulty in harmonization is that it must consider the differences in court systems, cultures,

countries, etc.

18) What should the basis for protection/cause(s) of action be?

The basis should be defined independently in each country.

19) What should the requirements for protection be? In your answer, please address at least the following, in addition to any other relevant factors: what level of reputation, if any, in the trademark should be required, and who should bear the burden of proof?

It is difficult to create a single or set of harmonized standards to gauge the level of reputation a trademark should have achieved to be protected because many factors must be considered in various circumstances, e.g., the actual goods, period of use, number of units sold, etc. For example, the fame of a trademark may be geographically limited and recognition can vary based on the consumer range. Thus, the basis should be defined independently in each country, and the plaintiff should bear the burden of proof.

20) What defences against and/or limitations to the protection should be available? Please state the proposed requirements for any defence/limitation, and the effect of any defence/limitation.

The basis should be defined independently in each country.

21) Who should bear the burden of proof in respect of any defences and/or limitations?

The basis should be defined independently in each country, and the plaintiff should bear the burden of proof.

22) In what type(s) of proceedings should it be possible to invoke the protection?

The basis should be defined independently in each country.

** although it will be difficult to unify the basis and procedures of all countries for determining a case of trademark infringement, the availability of various relevant international precedents may lead to studies and reviews as to whether foreign precedents should be relied on. Accordingly, organizing and classifying landmark precedents will be quite meaningful.

Summary

I. Current law and practice

In South Korea, the Trademark Act provides for the protection against registration of unfair trademarks and the Unfair Competition Prevention and Trade Secret Protection Act (the Unfair Competition Act) protects trademarks against the unfair advantages of trademark use.

Both the Trademark Act and Unfair Competition Act provide for protection against use that may be similar, for example, with dilution. For instance, the Trademark Act prevents a third party from obtaining registration of his/her trademark in a bad faith, whereas the Unfair Competition Act prevent the third party from using his/her trademark in bad faith.

In South Korea, infringement and registration proceedings are handled differently and so it should not be possible to invoke protection in all types of proceedings.

II. Policy considerations and proposals for improvements of the current law

It is difficult to create a single or set of harmonized standards to gauge the level of reputation a trademark should have achieved to be protected because many factors must be considered in various circumstances. Thus, the basis should be defined independently in each country. However, organizing and classifying international landmark precedents would be quite meaningful to study and review foreign precedents.

Please comment on any additional issues concerning the taking advantage of trademarks in the sense of parasitism and free riding you consider relevant to this Working Question.