

# FirstLaw IP News

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## SUPREME COURT RECOGNIZES EXTRATERRITORIAL PATENT INFRINGEMENT

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**U**nder the territoriality principle of patent rights governing the Korean Patent Act, a patentee's exclusive right to make, use, assign, lease or import a patented product can only be exercised within the country where the patent is registered. Further, unlike 35 USC § 271(f), which recognizes contributory infringement or inducement of infringement even when direct infringement occurs outside the U.S., the Korean Patent Act does not contain such an extraterritoriality patent infringement provision. Accordingly, in a case where all parts or components for making a patented product are produced in Korea but the final product is assembled or made outside Korea, the act of making the parts or components has been held not to constitute either direct or indirect infringement of a patent which is directed to the final product (Case No. 2014 Da 42110 rendered on July 23, 2015).

Recently, however, the Korean Supreme Court held, for the first time, that as an exception to the territoriality principle of patent rights, an act of making all components or parts of a patented invention may be considered tantamount to making the final product in Korea, and constitute a direct infringement of the patent if (i) all the parts or components for making the patented product are produced in Korea, (ii) the components or parts so produced are already in a state capable of essentially achieving the intended purpose or effect of the invention; (iii) they are exported to an overseas entity for the final processing or assembly thereof; and (iv) such final processing or assembly is so technically insignificant or simple that one skilled in the art can perform it without technical difficulty (Case No. 2019 Da 222782 and 222799 (merged), rendered on October 17, 2019).

### *Facts of the Case*

Plaintiff is the patentee of a Korean patent directed to a medical thread insertion device for use in carrying out a surgical procedure ("subject patent"). Claim 6 of the subject patent comprises, *inter alia*, "a medical thread support formed at an end of a medical thread to fix the medical thread

in a tissue."

Defendants, either severally or jointly, manufactured all parts corresponding to the elements constituting the claimed invention in Korea and exported them to Singapore, where the final processing or assembly thereof occurred. The final product was then sold in Japan.

## *Patent Court Decision*

The Patent Court, noting that the suture and the suture support manufactured individually by Defendants were exported to Singapore where the final act of connecting the suture support at the end of the suture took place, ruled that Defendants' manufacture of all the components including the suture and the suture support in Korea did not constitute infringement of claim 6 of the subject patent.

## *Supreme Court Decision*

On appeal, the Supreme Court reversed the Patent Court's decision, under the reasoning that "notwithstanding the territoriality principle of patent rights rooted in the Korean Patent Act, an act of making all components or parts of a patented invention can be considered equivalent to making the final product in Korea if: all the parts or components, produced in Korea, are already in a state capable of achieving the intended purpose or effect of the patented invention; they are exported to an overseas entity for the final processing or assembly thereof, and such final processing or assembly is so insignificant or simple that one skilled in the art can carry out without technical difficulty."

The Supreme Court then noted that Defendants manufactured all the components for making the patented product, including the suture and the suture support, in Korea; and sent them to Singapore for the assembly thereof, under a preconceived plan of supplying the final product to a hospital in Japan.

Further, the Court found that, based on the teachings given in the specification and the

common knowledge prevalent in the industry, a skilled person in the art would have had no technical difficulty in connecting the suture and the support.

Consequently, the Supreme Court reversed the Patent Court decision and held that Defendants' manufacture, either severally or jointly, of all the components constituting the patented device, including the suture and the suture support, in Korea for their overseas assembly in a concerted effort or scheme constituted a direct infringement of the subject patent; and, further, such ruling is not inconsistent with the territoriality principle.

## *Implications of the Decision*

The above decision is significant in that the Supreme Court, for the first time, held that an exception to the territoriality principle can be recognized in Korea, if all the components constituting a patented invention are made in Korea to such an extent of essentially achieving the intended effect of the patented invention, and then are exported overseas for the final assembly thereof; and the assembly process has no technical difficulty or significance in light of the level of the technology known in the art.

This decision differs from the statutory purpose of 35 USC § 271(f)--which is to condemn contributory infringement or inducement to infringe in the U.S. when the act of direct infringement has taken place outside the U.S.--, as the former deals with direct infringement of an overseas activity, that is carried out by way of adding a technically insignificant step to form a patented product utilizing all the essential components made in Korea.

# SUPREME COURT SETS FORTH CRITERIA ON BAD FAITH REGISTRATION OF TRADEMARK

*Jeong Won Lee/Kyung Sub Song*

In a decision rendered on August 14, 2019, the Korean Supreme Court held that Bullsone Co., Ltd.'s registered mark was filed in bad faith to take unjust benefit out of a prior mark of Red Bull AG that had attained fame among consumers at the time of filing (Supreme Court Decision No. 2017Hu752).

## *Background of the Case*

Bullsone's registered mark	Red Bull's prior-used mark
	
Automobile detergent, polish, etc.; sales promotion service for automobile goods	Energy drinks; operating and consulting on motor racing events and providing related services

Bullsone Co., Ltd. ("Bullsone"), a Korean manufacturer of various car supplies particularly known for its fuel system detergent, obtained a registration for the mark ("Subject Mark"), depicted above, designating "automobile detergent, polish, supplies and sales promotion service for automobile supplies" in Classes 3 and 35 on February 20, 2014.

Red Bull AG ("Red Bull"), a German beverage company known for its Red Bull energy drink, lodged an invalidation action against the Bullsone registration before the Intellectual Property Trial and Appeal Board ("IPTAB") on the grounds that the Subject Mark was similar to one of Red Bull's prior-used marks ("Prior Mark") and filed in bad faith to take advantage of the fame and goodwill associated with the Prior Mark

substantially known among Korean consumers at the time of filing.

However, the IPTAB rendered a decision in favor of Bullsone, for the reason that the Subject Mark was not similar to the Prior Mark due to the differences in appearance.

Red Bull filed an appeal against the IPTAB decision before the Korean Patent Court.

## *The Patent Court Decision*

As the first step analysis, the Patent Court determined that the Subject Mark was similar to the Prior Mark when observed in their entirety.

In determining whether the Prior Mark was

already known to the consumers in Korea or abroad when the Subject Mark was filed, the Patent Court noted, among other things, the extensive global sales record of Red Bull's energy drinks, its market share and the high consumer recognition of the Red Bull brand; and also the fact that Red Bull Group has been sponsoring Red Bull Sauber Petronas in the well-known motor racing event of Formula One since 1994, and even formed its own racing team called Scuderia Toro Rosso in 2005 which won Formula One Constructors' World Championship in 2010 and 2011.

However, the Patent Court determined that the fame of Red Bull's Prior Mark was only with respect to energy drinks. Regarding Red Bull's use of the Prior Mark on the racing cars, racer's uniforms and in various promotional materials of the racing events, the Patent Court was of the view that such uses were only auxiliary to promoting Red Bull's energy drinks; and, therefore, ruled that it fell short of demonstrating the consumer recognition beyond energy drinks and extending to "operating and consulting on motor racing events and providing related services".

On the issue as to whether Bullsone had any unfair competitive intent at the time of filing the Subject Mark, the Patent Court found no such intent on the grounds that Bullsone's initial adoption of a bull image as its trademark dated back to 1999 and the bull motive was maintained throughout to the time of developing the Subject Mark in 2011. The Patent Court also noted that Bullsone was already substantially known in the industry of car supplies at the time of filing the Subject Mark, having incurred substantial expenditures for advertising.

Red Bull filed a further appeal before the Korean Supreme Court.

### *The Supreme Court Decision*

Article 7(1)(xii) of the old Korean Trademark Act proscribes registration of a mark which is similar to a mark already known to consumers in Korea or abroad as another's identifier if it was filed with an unfair competitive purpose.

The Supreme Court declared that, in determining whether a mark is filed with an unfair competitive purpose, various factors need to be carefully considered such as the degree of well-known status of the prior mark with respect to the goods/services at issue, the degree of creativity of the prior mark, similarity between the prior mark and the later-filed mark and their economic relevance in terms of the goods/services being compared.

Turning now to the present appeal case, the Supreme Court took an exception to the lower court's finding that the Subject Mark was known to consumers only as the source indicator of energy drinks. The Highest Court paid attention to the fact that Red Bull Group had been operating or sponsoring two motor racing teams and had been using its mark for more than five years before the filing date of the Subject Mark. Accordingly, the Supreme Court determined that the Patent Court erred in finding that the Subject Mark was known to consumers as a source indicator of energy drinks only.

As to whether Bullsone had bad faith in filing the Subject Mark, the Supreme Court noted that Red Bull's bull device has rather unique and creative design features. Especially, the Supreme Court heeded to the fact that Bullsone changed and

departed from its previous various marks rather drastically to the Subject Mark after Red Bull's racing team made its first appearance in Korea in

the first Formula One event held in Korea, as shown below:

Before Rebranding					After Rebranding
					

Accordingly, the Supreme Court determined that the Subject Mark was filed with an unfair competitive intent because:

- (1) The Prior Mark was substantially known in Korea and abroad with respect to, not only energy drinks, but also automobile racing and related services;
- (2) The Prior Mark and the Subject Mark were similar;
- (3) The Prior Mark has creative design features;

- and
- (4) There exists room to argue for the recognition of some economic relevance or connection, in the minds of consumers, between the use of the Prior Mark (for sales promotion service of automobile goods) and the Subject Mark (for operating and consulting on motor racing events and providing related services).

## TRIAL BOARD UPHOLDS INVENTIVENESS OF MEDICINAL USE INVENTION TREATING PARTICULAR PATIENT GROUP

*Mino Ryu*

**T**he Trial Board of the Korean Intellectual Property Office (“KIPO”) rendered a decision upholding the inventiveness of a medicinal use invention that specifies a particular patient group as the subject to be treated over a prior art reference disclosing the treatment of the same disorders using the same active substance (Trial Board Case No. 2018 Won 420 rendered on September 27, 2019).

### *Background of the Case*

#### **A. Subject Invention**

Korean Patent Application No. 2015-7015933, which has since matured into Korean Patent No. 2043309, was directed to a composition for use in

the treatment of cognitive impairment, psychotic disorder or neurodegenerative disorder in an individual, comprising alpha 7 nicotinic acetylcholine receptor ( $\alpha 7$  nAChR) activator, wherein the individual has the genotype of human cytochrome P450 1A2 (*CYP1A2*), selected from the group consisting of being homozygous

for indicative *CYP1A2* SNP rs2069514-A/A (SEQ ID NO: 1) or corresponding indicative *CYP1A2* SNP haplotypes, and being heterozygous for indicative *CYP1A2* SNP rs2069514-A/G or corresponding indicative *CYP1A2* SNP haplotypes.

According to the specification, the claimed invention is based on the discovery that the  $\alpha 7$  nAChR activator compound exhibits remarkable effects on visual learning and memory in a group of patients who are homozygous or heterozygous for the "A" variant of *CYP1A2* SNP rs2069514-(A/A or A/G), whereas the patients who are homozygous for the "G" variant of *CYP1A2* SNP rs2069514-G/G do not show any significant improvement on cognitive function.

### ***B. Prior Art Reference***

The prior art reference cited by the Examiner during the substantive examination of the subject application disclosed that a compound corresponding to an  $\alpha 7$  nAChR activator could be used for the treatment of cognitive impairment, psychotic disorder or neurodegenerative disorder.

### ***C. Grounds for Final Rejection***

Based on the above prior art reference, the Examiner rejected the subject application on the grounds that the subject medicinal invention, though limited to treating a patient group having a particular genotype, eventually showed the same therapeutic effects on the same disorders as disclosed in the prior art reference, and, thus, was obvious from the prior art reference.

### ***The Trial Board Decision***

The Trial Board, however, overturned the

Examiner's final rejection. The decision was based on its determination that a particular patient group recited in a pharmaceutical composition claim should be considered a constitutive feature in determining the inventiveness of the composition since it provides a new medicinal use to a particular patient group on the basis of an unknown attribute of an active substance.

Specifically, the Trial Board held that the subject medicinal use invention characterized by treating a particular patient group could not be easily conceived from the prior art reference, which did not disclose or imply that the likelihood of responsiveness of a patient depended on the presence of the SNP rs2069514-A variant in the genome of the patient. Further, there were no grounds to recognize that the interrelation between the presence of the SNP rs2069514-A variant and susceptibility to improvement in cognitive ability was well known in the art at the time of the priority date.

The Trial Board concluded that, even though the medicinal use of the active substance was disclosed in the prior art reference, the subject medicinal use invention characterized by treating the particular patient group meets the inventiveness requirement over the prior art reference.

### ***Significance of the Decision***

The above decision clarifies that a medicinal use invention characterized by treating a particular patient group may be patentable, in the same vein that a medicinal use invention characterized by a specific dosage regimen has been held inventive.

## A NEW ASSOCIATE: Dae Hyun Koh

**D**ae Hyun Koh recently joined the Firm as an associate to work on prosecution and litigation matters in the field of electricity and electronics.

Mr. Koh received his B.S. degree in Earth and Environmental Science in August 2008 from Seoul National University. He passed the Korean Patent Bar Exam in 2016 and his main areas of technical interest lie in electrical and electronic engineering.



He enjoys bicycle riding and playing board games.

The Firm extends its warmest welcome to Mr. Koh and wishes his very success and continued growth in his chosen professional career with the Firm.

For further information and/or any inquiries regarding any of the topics covered in this issue, please direct such communication to:

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