

## INTELLECTUAL PROPERTY RIGHTS IN KOREA

### I. Overview

The inadequacy of protection afforded intellectual property rights in Korea has become a matter of increasing concern in recent years. U.S. industry criticism has focused particularly on: the absence of copyright protection for foreign authors and creators under existing and proposed legislation, lack of patent protection for chemical and pharmaceutical products, and restrictive regulations governing trademarks. With Korea's foreign debt exceeding \$40 billion, the Korean Government (ROKG) has acknowledged the need to improve this important facet of its investment climate.

In March 1983, ROKG officials met with a U.S. delegation comprised of consultants from ITA, PTO, USTR, American industry and Embassy representatives to discuss the protection of intellectual property in Korea and its implications for our bilateral trade. The consultations involved technical discussions of current patent and trademark laws and regulations, the unfair competition law, and individual cases submitted by U.S. industry. Discussion of copyright issues were limited because a new copyright law was being drafted and was unavailable for comment. In the course of discussions, the ROKG acknowledged the need for revision of its intellectual and industrial property regulations and agreed to continue the dialogue.

At the eleventh U.S.-Korea Commerce Ministers Meeting held in Washington in March 1984, Secretary Baldrige proposed full consultations on intellectual property rights, including patents, trademarks, and copyright. ROKG Minister of Trade and Industry, Kum Jin-Ho, deferred the request for discussions on patents and trademarks until late 1984-early 1985 and agreed to convey the request for copyright consultations to the Ministry of Culture and Information (MCI).

The ROKG justified the deferral of discussions on patents and trademarks by citing the need to await the outcome of a study on the subject being undertaken by the Korea Development Institute, a quasi-governmental think tank. The study, originally scheduled for completion at the end of 1984, is expected to provide the rationale for any revisions of existing regulations.

In discussions on patent and trademark issues held in conjunction with the fourth U.S.-Korea Sub-Cabinet Economic Consultations in July 1985, ROKG officials could not provide a firm date for completion of the study. Little progress was reached on prospects for provision of compound per se protection for chemicals and pharmaceuticals and extension of patent term (particularly for pharmaceuticals) beyond a commitment to eventually provide such protection (without a firm timetable established).

Concerning local deposit of microorganisms used in to previous para biotechnology and related applications, the ROKG described preparations for eventual accession to the Budapest Treaty.

On the copyright issue, repeated requests since May 1984 to the Ministry of Culture and Information ultimately resulted in expert-level technical discussions held in late November 1984, during which the provisions and inadequacies of the proposed law were discussed. The subject is a controversial one domestically, with the ROKG attempting to balance parochial domestic concerns against strong international (particularly U.S.) pressure to upgrade protection for intellectual property rights.

In July 1985 discussions on copyrights, the ROKG delegation reported that a new draft law would be submitted to the National Assembly by September 1985 and that this law would be designed to provide copyright protection for foreign works. The bill would ostensibly provide protection until Korean accession to an international copyright convention within three or four years. ROKG representatives also predicted that a decision on the type of protection to be accorded software would be made by early 1986.

The major deficiencies arising from the existing patent, trademark, and copyright laws provide some insight into the obstacles that may be encountered in encouraging the ROKG to take stronger protective measures. The area in need of greatest progress is undoubtedly copyright protection. At present, protection of foreign copyrights is virtually non-existent and the issue is bound to grow increasingly sensitive as Korea's burgeoning computer industry generates greater demand for applicable software. Foreign firms can apply for patents in Korea and generally adequate enforcement and legal sanctions exist against infringement. The patent law is weak, however, with respect to the scope of protection and length of patent term afforded chemicals and pharmaceuticals. We want Korea to amend its law to provide compound per se protection for chemical and pharmaceutical products, extend the patent term, and eliminate the requirement for local deposit of micro-organisms, a step which could reduce the chances of patent infringement in biotechnological applications.

In the short term, it is likely that Korea may improve, albeit gradually, the overall climate for protection of intellectual property. The combined pressures of its large foreign debt, need to remain competitive vis-a-vis other newly industrializing countries, and need to attract foreign capital and technology should work in favor of stronger protective measures. Progress may be selective and slow, however, given Korea's tenacious reliance on the argument that, since protection of intellectual property is a function of the level

of development, Korea cannot be expected to afford protection at the level the U.S. and others desire. Even if the National Assembly passes stronger laws, their implementation will depend on the terms spelled out in Presidential decrees and implementing regulations. These laws can allow a wide range of discretion to the authorities implementing them.

Issues with realistic short-term possibility of Korean action include development of stronger protection for chemical and pharmaceutical products and legislation affording at least some copyright protection to foreign nationals. The type of protection provided for software and semiconductor designs may be similar to that developed as a result of our negotiations with Japan.

## II. Background

### A. Patents

#### 1. Issues

##### a. Adequacy of Legal Protection

###### i. Narrow Scope of Patent Protection for Chemicals

In 1980, Korea acceded to the Paris Convention for the Protection of Industrial Property. Foreigners can apply for a patent, which has a term of 12 years. Korean regulations stipulate, however, that the following categories of inventions shall not be patentable: inventions of medicines or of process of manufacturing a medicine by mixing two or more medicines, inventions of substances manufactured by a chemical process, inventions of use of nature inherent in chemical substances. As a result, the patent can be granted only for a process used to produce the chemical or pharmaceutical product.

As a rule, the Korea Patent Office has interpreted patent process claims very narrowly-limiting protection to a specified process versus a claimed procedure. Prospective patentees must demonstrate, for example, not only that a process works at various temperatures, but that it works for every claimed temperature range. This can involve undertaking time-consuming, expensive, and unnecessary procedures to determine the scope of the patent to be included in a patent application since a company claiming a narrow scope risks competition from a Korean manufacturer who can patent a process for the same products that is just outside the scope of the foreign claim.

ii. Non-patentability of Microorganisms

Korea is the only country in the world requiring local deposit of microorganisms. Microorganisms are not patentable in Korea but inventions which utilize microorganisms are patentable. Both local deposit and non-patentability leaves ample scope for infringement as Korea develops its biotechnology industry.

In March 1985, the ROKG relaxed deposit requirements to a limited extent, permitting an applicant to deposit a specimen with an international depository until publication of the application, at which time redeposit with a local depository is required. During June 1985 consultations, the ROKG agreed to consult WIPO concerning certification of one of Korea's depositories in preparation for adherence to the Budapest Treaty.

iii. Increased Patent Term

Given the parallel official approvals often required in the case of chemical and pharmaceutical products prior to marketing, the 12 year patent term granted under Korean law is inadequate. Approval for environmental registration for chemicals can take up to five or six years. It can take approximately eight to twelve years from the date the patent application is filed for a company to begin selling a pharmaceutical product and another 8-10 years for a chemical or pharmaceutical to achieve profitability..

iv. Lack of Dominant Patent Concept

U.S. firms have reported that lack of a dominant patent concept in Korea increases the burden of establishing patent rights.

b. Adequacy of Enforcement

i. Sanctions

According to statistics provided to the U.S. International Trade Commission in a 1983 investigation on product counterfeiting, thirteen cases were brought to the Korean Patent Court by foreigners involving patent infringement between 1980-1983. Penalties for infringement may involve imprisonment for up to five years or a fine of up to 10,000,000 won (\$13,000). In addition, punitive damages beyond the actual loss suffered may also be recovered.

## ii. Enforcement

U.S. industry sources have indicated problems in discovery of information or evidence held by an alleged infringer. Use of methods similar to those available in the U.S. and other countries (e.g. depositions and interrogatories) are not provided for in Korea. Another problem reported was lack of effective means to enforce an injunction once granted.

An additional problem is the difficulty encountered by litigants in sustaining a burden of proof. As in the U.S. the holder of a process patent must prove that the alleged infringer or his supplier is using the patented process. Narrow interpretation of patent scope, however, may leave room for infringers to use a "detour" process for producing the product.

A positive element of the Korean Patent Act, however, is that it presumes that "novel and identical" products have been produced by using an identical process shifting the burden of proof to the alleged infringer.

## iii. Non-Tariff Barriers to Protection of Intellectual Property Rights

All imports into Korea must be accompanied by import licenses approved by the ROKG. While most goods receive automatic approval, the ROKG has a range of discretionary mechanisms to ban specific products. U.S. firms have complained of instances where Korean firms have begun production of an allegedly infringing product and the ROKG has banned imports of the competing good. In another case, perceived threat of use of this discretionary authority by the ROKG effectively frustrated active pursuit through litigation of a U.S. firm's patent rights against an alleged Korean infringer.

## c. Participation in International Agreements

In 1980 Korea acceded to the Paris Convention on Protection of Industrial Property. The ROKG recently joined the Patent Cooperation Treaty and has requested bilateral technical assistance from the U.S. in patent matters.

d. Local Private Sector Programs

- In July 1985 consultations, the ROKG delegation described a recently formed government/private sector National Anticounterfeiting Committee which would investigate complaints of infringement and conduct educational campaigns aimed at eradicating counterfeiting.

2. Suggested Solutions

- Amendment of patent law to provide product patent protection for chemical compounds and pharmaceutical products with a patent life of twenty years.
- As an interim measure to the above suggestion, allow protection for new uses of chemical compounds and compositions.
- Amendment of patent law to make microorganisms patentable.
- Accession to the Budapest Treaty for the Deposit of Microorganisms.
- Strong recommendation to the courts with jurisdiction over patents by the Ministry of Trade and Industry that discovery procedures be simplified in infringement cases and extended to allow litigants to attempt to fulfill their burden of proof.
- Strong representation to the courts with jurisdiction over patents by the Ministry of Trade and Industry that import bans for protection of domestic production of goods involving infringed patents seriously undermined the ROKG's own liberalization program and any goodwill that program has engendered in the U.S.

3. Assessment for Progress

- In the July 1985 consultations, the ROKG acknowledged the need to extend compound per se protection to chemicals as well as extending such protection beyond the current 12 year term. The timetable for enactment of these reforms is not certain. While the ROKG aims for reform by 1988-90, Korean industry is pushing for delay until they themselves have the capability to invent chemical compounds (estimated to be around the year 2000).
- The ROKG has decided against interim protection for new uses of chemical compounds in anticipation of eventual provision of compound per se protection.

- Major determinants will be the continued success of the ROKG in attracting foreign investment in desired sectors (including biotechnology), the extent to which Korean firms perceive that they are receiving the latest technologies from joint ventures and licensing agreements, and overall competitiveness vis-a-vis other NIC's.
- An additional incentive to an accelerated adoption of stronger protection for patent rights will be the evaluation of GSP status of major beneficiaries scheduled for 1987.

## B. Trademarks

### 1. Issues

#### a. Adequacy of Legal Protection

##### i. Registration of Trademarks

Korean regulations allow companies to obtain trademarks for goods they do not produce as long as application for the mark in Korea is made before anyone else. In the past, this has enabled companies to register trademarks identical to or resembling well known international marks. In recent years, the ROKG Patent Office has attempted to prevent this practice.

##### ii. Duration of Trademark Licenses

Foreign trademark licenses can only be granted in the context of a technical assistance agreement, joint venture, or raw materials supply agreement. The duration of the license depends on the relevant agreement. Internal ROKG guidelines for processing/approving such agreements are not available to the public or consistent among all ministries concerned.

Trademark registrations can be cancelled for non-use after one year has elapsed from date of registration. Even if a foreign good cannot be imported into Korea (e.g. as a result of an ROKG import ban), the trademark owner must at least advertise the product in order to avoid cancellation of the trademark registration.

#### b. Adequacy of Legal Sanctions

According to Korean statistics, over 130 cases involving trademark rights were brought by foreigners before Korean courts between 1980-1983. The maximum penalties are the same as those for patent infringement (i.e. up to 5 years

imprisonment or up to a 10,000,000 won- \$13,000 fine). Punitive damages may be assessed based on the profits gained by the infringer. The court shall decide the amount of compensation to be paid on the basis of damage proven; however, the total amount cannot exceed three times the amount of damage suffered. U.S. firms have not taken issue with the adequacy of these sanctions.

c. Fairness and Complexity of Registration Procedures

Licensing of foreign trademarks will not be approved unless accompanied by a technical assistance agreement, joint venture, or raw materials supply agreement. The license cannot exceed the life of the agreement.

Approval of technical assistance agreements may be spread among various Ministries, each exercising its own administrative guidelines. An informal ceiling of 5 percent of net sales exists on royalty rates. A model format is encouraged for use in agreements and export performance requirements may be established for certain categories of products on a case-by-case basis determined by the ROKG.

d. Participation in International Agreements

See A.1.c.

e. Local Private Sector Programs

-We are not aware of any local private sector activity in this area.

2. Suggested Solutions

- Consolidation and publication of internal guidelines required for approval of technical assistance agreements by different ministries.
- Extension of trademark rights beyond the life of the original supporting licensing agreement.

3. Assessment for Progress

- The formal approval process for technical assistance/technology licensing agreements has recently been changed to a reporting procedure in which the ROKG reserves the right to alter agreements. The discretionary authority implicit in each Ministry's internal guidelines is likely to remain even more jealously guarded under the less formalized procedures.



- Another factor mitigating against publication of approval guidelines for technical assistance agreements will be the role which the ROKG has played in the development of the Korean economy. The ROKG will continue to encourage attraction of export oriented, higher technology products and processes at the expense of goods targeted completely for domestic consumption.

C. Copyright

1. Issue

a. Adequacy of Legal Protection

Both books and software have been pirated in Korea. University textbooks and technical manuals are particularly popular. An unofficial estimate of the market for pirated books is approximately \$100 million.

Since Korea is not a member of the Universal Copyright Convention and there is no separate bilateral agreement between the U.S. and Korea covering copyrights, Americans' works are not protected in Korea. A new draft copyright law will be presented to the National Assembly by September 1986. According to the ROKG, it will include provisions for the protection of foreign copyrights against unlicensed and unauthorized reproductions. USG representations will focus on the provisions we would like to see in this new copyright law. These include unconditional protection of American works; protection of the author's sole right to authorize translations or reprints of works; effective penalties and enforcement procedures against infringement, and explicit inclusion of computer software as a copyrightable work. The law should also provide copyright protection for satellite broadcasts.

b. Participation in International Agreements

Korea is currently not a member of either the Universal Copyright Convention or the Berne Convention, but plans accession to either or both by 1988. Korean law provides for the self-executing nature of accession to international conventions, automatically bringing Korean law into conformity with the requirements of the convention. Accession, however, must first be approved by the Korean National Assembly.

c. Local Private Sector Programs

The Korea Phonogram Association has been involved in action against pirated records and tapes, both foreign and

domestic. A Korean Association of Copyright Holders exists, but we do not have any information on their activities.

2. Suggested Solutions

- Accession to the UCC or Berne Convention.
- Adoption of domestic legislation that includes protection of foreign copyrights.

3. Assessment for Progress

- Elements within the ROKG seem inclined to move in the direction of stronger protection, but the issue remains politically sensitive. A new draft copyright bill will be presented to the National Assembly this autumn.
- The prospects for protection of software are problematical given Korea's desire to develop its own industry. The ROKG has indicated that it will reach a decision on the issue by March 1986.

D. Unfair Competition Law

1. Issues

a. Adequacy of Legal Protection

Korea's import licensing restrictions and high tariffs in certain products effectively deny foreign producers of such products their right to protection under Korea's unfair competition law. Although the U.S. Friendship, Commerce, and Navigation Treaty (FCN) with Korea and the Paris Convention require national treatment, U.S. products subject to prohibitive import restrictions cannot technically meet the requirements of Korea's unfair competition law that the trade dress and labels of goods be well-known in Korea before action can be taken. The ROKG stated, however, during the March 1983 consultations, that a foreign product can meet the "well known" requirement through advertising even though the good may be restricted from the market.

2. Suggested Solutions

- Improved market access or relaxation of requirements for products subject to import licensing restrictions

3. Assessment for Progress

- In the past year, the ROKG has announced a schedule for phased reduction of import license restrictions and tariffs. The ROKG would likely argue that the problem will resolve itself under the scheduled liberalization.
- The ROKG might be amenable to a relaxation of requirements for products facing restrictions if narrow criteria are proposed.

### III. ITA Actions to Date

- 7/9/82 Meeting with Pharmaceuticals Manufacturers Association (PMA), Chemical Manufacturers Association (CMA), and National Agricultural Chemicals Association (NACA) to determine industry interest in working with the USG on patent problems and to formulate a strategy for dealing with the problems related to inadequate protection of industrial property rights in Taiwan and Korea.
- 12/114/82 Meeting with representatives of U.S. industry associations and private firms to review to proposed agendas for meetings on commercial counterfeiting with Korea and Taiwan. OPB invited interested firms to provide information on specific cases, the agendas for both meetings, proposed changes in the patent and trademark laws of both Korea and Taiwan, and suggestions as to whom the delegation should meet in Korea and Taiwan.
- 3/28/83-3/31/83 U.S.-ROKG consultations on intellectual property rights protection.
- 7/19/83 Briefing of 20 representatives of industry associations on the March 1983 consultations with Taiwan and Korea.
- 2/23/84-2/24/84 Senior DAS Alex Good attended U.S.-ROKG Sub-Cabinet Economic Consultations with increased protection of intellectual property rights as a major agenda item.
- 3/5/84-3/7/84 During the Eleventh U.S.-Korea Commerce Ministers Meeting, Secretary Baldrige proposes consultations on intellectual property rights to the ROKG.

- 7/9/84-  
7/13/84 ITA-FCS support for an "unofficial" delegation of U.S. publishers visiting Seoul to assess the status of the proposed copyright legislation.
- 7/16/84-  
7/20/84 ITA-FCS support for a U.S. Semiconductor Industry Association visit to Seoul to urge Korean officials and industry representatives to protect software and semiconductor designs.
- 11/29/84-  
11/30/84 U.S.-ROKG expert level technical discussions on copyright issues raised by the proposed copyright legislation. Status of bill expected to be left in limbo until February - March 1985 National Assembly Elections.
- 3-4/85 Senior Department of Commerce officials including Deputy Under Secretary Olin Wethington, Deputy As-Secretaries Alexander Good and Roger Severance visit Seoul and raised the issue of protection of intellectual property rights as one of our major outstanding trade issues with numerous senior ROKG officials.
- 6/24/85 In public hearings held by USTR on the Generalized System of Preferences, Korea is repeatedly cited for the inadequacy of effective regulations protecting intellectual property rights- particularly in the area of patents for chemicals and pharmaceuticals, trademarks, and copyrights.
- 7/2/85 As part of the fourth U.S.- Korea Sub-Cabinet Economic Consultations, expert level discussions focused on specific patent, trademark, and copyright issues. Specific results are reported in relevant sections above.