

## Obtaining Statutory Damages for Trademark Infringement – A Cross Border Approach under the Trademark Act of the Republic of Korea

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Recently the Korea Supreme Court issued a significant ruling, providing guidance on the availability of statutory damages in trademark infringement actions. This article discusses that ruling.

Under the Trademark Act of the Republic of Korea (“the Act”), a trademark owner is entitled to receive compensation for damage arising from its trademark being infringed. The trademark owner can receive

one of the following types of damages<sup>[1]</sup>:

1. Actual Damages resulting from the infringement;
2. Estimated Damages – the Act provides various ways of estimating damages, such as an estimate based on the fees normally paid to the owner by someone using the trademark;
3. Statutory (Legal) Damages – compensation for a reasonable amount, not exceeding 50 million won (approximately \$44,000 U.S. dollars).

In ordinary situations, when estimating damages, the trademark owner must prove that its trademark has been infringed as well as the fees that normally would be paid for the trademark's use. The trademark owner is not required to claim and/or prove the existence of its damages in detail. However, if the trademark owner has simply registered the trademark without actually using it—which is permitted under Korean law, unlike U.S. law – then the infringer typically will deny the existence of any damages. Such an argument effectively would deprive the owner of any right to compensation, even though the owner has properly registered the mark.

As noted above, in addition to the provision allowing for the estimation of damages, the Act also provides for the award of statutory damages where it is difficult to prove actual damages or even to estimate the damages. Under the Act, rather than claiming and proving the actual amount lost due to the infringement of its trademark or the fees normally paid for using the trademark, a trademark owner may file a claim for statutory damages against a person who used a trademark identical to the trademark owner's, either intentionally or by mistake, on goods identical to the designated goods. In dealing with this type of claim, the court will review all the arguments and the relevant evidence presented and in its discretion it will determine the amount to be paid to the trademark owner. The amount of statutory damages to be awarded by the court may not exceed KRW 50 million (roughly USD \$44,000.)

Recently, on September 30, 2016, the Supreme Court of Korea provided further guidance on a trademark owner's right to obtain statutory damages for infringement of its trademark (Supreme Court Case No. 2014Da59712,59729, decided on September 30, 2016). In that case, the Plaintiff trademark owner brought a trademark infringement action against a Defendant gene testing company. The Plaintiff sought estimated damages in the amount of fees normally paid to the trademark owner, but also argued that it should be awarded statutory damages, even if it did not qualify for the estimated damages. The facts of the case are described as follows:

On February 25, 2008, the trademark owner filed an application for Trademark "X" regarding gene testing. Trademark X was registered on March 4, 2010, but not actually used by the Plaintiff at that time. Meanwhile, the Defendant started using its marks Y1, Y2 and Y3 beginning on February 28, 2008 when it was conducting its gene testing business. The Defendant ceased using those marks roughly four years later on May 12, 2012, when the Plaintiff accused the Defendant of infringing the Plaintiff's Trademark X. Thereafter, the Defendant instead began using its mark Y4.

The Plaintiff had begun operating its gene testing business beginning around February 10, 2003, but it did not use its Trademark X in that business. Instead, Trademark X was first used around July 2012, by the Plaintiff's subsidiary, Company A. The Plaintiff established Company A on April 26, 2012 in order to conduct another gene testing business through that company.

The Plaintiff alleged that the Defendant's use of its marks Y1, Y2, Y3 and Y4 all infringed the Plaintiff's Trademark X. The court held that because the marks Y1, Y2 and Y3 used by the Defendant were similar to the Plaintiff's registered Trademark X, the Defendant's use of these marks in the Defendant's gene testing business constituted an infringement of the Plaintiff's trademark. It held that the scope of the

Plaintiff's trademark right was not effective as to the Defendant's mark Y4, which mark was not similar to the Plaintiff's Trademark X.

Although the court found that the Defendant's use of the marks Y1, Y2 and Y3 infringed Trademark X, nonetheless it dismissed the Plaintiff's infringement damages claim. For part of its damages claim the Plaintiff sought estimated damages equivalent to the fees normally paid to the Plaintiff for using the trademark. But the Plaintiff actually had not been using its Trademark X in its gene testing business. Conversely, during the period when it conducted business using Trademark X through its subsidiary, Company A, the Defendant was not using the marks Y1, Y2 and Y3. Therefore, the Defendant was causing no harm to the Plaintiff at that time.

With regard to the Plaintiff's alternative claim for statutory damages, although the marks Y1, Y2 and Y3 are similar to Trademark X, they are not identical. Moreover, during the period when those marks were used by the Defendant, the Plaintiff was not using its Trademark X in doing its gene testing business. The court ruled that a trademark owner may not file a claim for statutory damages under the Act if the owner has not in fact been using the registered trademark.

In reaching its decision, the court noted that the statutory damages provision applies only exceptionally, in order to allow a trademark owner to receive a certain amount of compensation, even when the owner is not able to prove the amount of its damages. This prevents the trademark infringer from avoiding the consequences of its unlawful activities. Nonetheless, the requirements for the Act's statutory damages application should be interpreted strictly as required under the law. The court appears to have interpreted the Act as requiring that there must be some actual harm to the Plaintiff in order to recover statutory damages.

This new ruling makes it clear that when filing a claim for statutory damages, the trademark owner must have actually been using the registered mark at the time such mark was infringed, in order to qualify for statutory damages.

Parties contemplating registering their trademarks in Korea should plan to use the marks promptly following registration to potentially obtain the benefits of statutory damages. If they have not done that, then they should plan to make a significant and creative effort to try to prove actual damages or estimated damages when engaged in litigation against infringers, or forego making a claim for damages and limit the relief sought to injunctive relief. Counsel should also bear in mind that there is virtually no discovery permitted in Korean litigation. Therefore, they should not expect to obtain damages discovery from the infringer. They will need to utilize their own documentation, other public records and creative arguments to prove their actual or estimated damages.

[1] Although it is entitled to receive only one type of damage per claim, the trademark owner may plead alternative types of damages.

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Headed by Eddie Powell of Fladgate LLP, London, and Norman Zivin of Cooper & Dunham LLP, New York, New York, the ILN's Intellectual Property Group provides the platform for enhanced communication, enabling all of its members to easily service the needs of their clients requiring advice on cross-border transactions. Members of the group meet regularly at ILN conferences and industry events, and have collaborated on discussions and publications of mutual interest.

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