

Bad Faith Registration Case
IP High Court
Case No. H 23 (Gyo-ke) 10150
October 24, 2011
(Ref: IP High Court H22 (Gyo-ke) 10297)

FACTS

Trademark  vs 

Plaintiff X filed an action against Defendant Y, a Japanese trading company importing computer main frames from TAIWAN, requesting a suspension (injunction) of such sale on the grounds of trademark infringement. The registrant X, the plaintiff, is a Korean individual who filed a trademark application in South Korea immediately after learning through internet news that the Taiwan computer manufacturer was launching a new brand. Based on that Korean application, a Japanese trademark application was filed and registration obtained without any approval. The Defendant (importing company) first sought a decision of invalidation against the trademark registration, but decision of invalidation was not acknowledged in trial of the first instance. IP High Court action was initiated by the defendant to overturn the first decision, in which evidence showing bad faith submitted and finally a decision invalidating the trademark was rendered. The case was returned to the JPO for re-examination and the registration was invalidated in line with the IP High Court decision. The registrant (Plaintiff) filed an IP court action to overturn the decision, but it was dismissed and the decision invalidating the trademark was sustained.

ISSUE

How to attack and regain pirated trademark and recover trademark? What kind of evidence or facts needed to obtain a certification of invalidation (bad faith) .

HOLDING

The IP High Court rescinded the first conservation decision on the ground that the registration fell under Art. 4-1-7, reasoning as follows;

(1) Facts admitted

A) Relationship between ASRock and ASUSTek

The plaintiff is a Japanese trading company importing ASRock mother board and selling such to the Japanese market. The company ASRock is a subsidiary company of ASUSTek, one of the world's biggest manufacturers of computer main motherboard.

B) News of new brand

Just one day before the Korean filing date, the Taiwan media DIGITIME broadcast news of the debut of second brand ASRock.

C) Actual sales volume of ASRock

(a) In year of 2003, monthly average sales volume amounted to 200,000 units.

(b) The volume of exports before the Korean filing date was to 20 units and after the filing date was to 1800 units.

(c) Thereafter sales grew sharply to 10.1% market share in the 11th week of 2007 and 7.5% market share in the 22nd week of 2007.

D) ASRock filed trademark application in Japan on December 25, 2003 but the application was rejected based on a relevant prior application filed by Plaintiff X.

E) Difference of the trademark composition

The composition of the trademark was different “Asrock” (prior registration) and “ASRock” (ASRock company).

F) Actual business of Plaintiff

The Plaintiff X (registrant) is the representative of NTS Co. in Korea and placed motherboards, bearing trademark ASROCK, in a Korean internet auction, which is shown in the evidence, and also placed video cards, bearing the ASROCK brand, on YAHOO auction in Japan but no actual business was proved in the submitted evidence.

In this connection, defendant Y conducted the search of the facts and found no actual business at the address of the registrant.

G) Other trademark registrations owned by the Plaintiff

Plaintiff owned 13 other trademarks which originated from other companies such as Canadian company or British company.

H) Caution letter issued by the Plaintiff(registrant)

(a) Since February 2007, the Plaintiff sent many caution letters requesting the immediate cessation of use of the trademark “ASRock” as well as claiming damages and the initiation of criminal proceeding were sent to the parties involved.

(b) In addition, the Plaintiff demanded the trademark right to be purchased for an unreasonable amount.

(2) Counterarguments made by Plaintiff against aforementioned certification

A) ASRock company is considered a subsidiary company of AUSTeK.

B) The mark ASRock has distinctiveness irrespective of the counterargument.

C) Actual business of the Plaintiff was not proved by the evidence even though submitting such document was possible if real transaction exist.

(3) Applicability of Art. 4-1-7

Regarding “Bad Faith”

The Plaintiff had a detailed knowledge of the IT business and registered trademarks of other companies, besides this case, and no reason was disclosed for such registration.

A) Purpose in filing

The substance of business in Korea was not clarified. Moreover, sending caution letters and requesting compensation after registration was considered wrongful purpose of the filing.

The fact was that numerous caution letters were sent to request that import sales be terminated and to claim damages and initiate criminal proceedings and unreasonable amounts were requested for purchase of the trademark right in South Korea. Considering all of the aforementioned, it must be said that an application was filed with a wrongful purpose.

B) Breach of Public Order and Morality

Registering the mark “Asrock” was considered to be a violation of public order or morality, notwithstanding whether or not the trademark “ASRock” was well known or prominent at the time the application was filed.

The IP High Court sustained the invalidation decision on the grounds that the registration fell under Art. 4-1-7 and dismissed the action.