

KIM & CHANG

TRADEMARK

WARNER BROS. SUCCESSFULLY CHALLENGES REGISTRANT'S ABUSE OF TRADEMARK RIGHT

Kim & Chang represented Warner Bros. (Korea) Inc. ("Warner") and its licensees in Korea (collectively, the "Plaintiffs"), in seeking confirmation from the Seoul Central District Court that the Plaintiffs' use of a Korean company (the "Defendant")'s registered "TOM & JERRY" marks does not constitute trademark infringement. The Court ruled in favor of the Plaintiffs, holding that the Plaintiffs' use of the Defendant's TOM & JERRY marks does not constitute trademark infringement (Case No. 2008KaHap1861; decided on October 29, 2008).

Case Background

The Defendant filed over 50 applications for TOM & JERRY character marks, such as



" TOM & JERRY ", " " and " " (the "Subject Marks"), starting in 2005, across numerous goods and services categories in which Warner and its affiliates had not yet obtained trademark registrations. In 2007, the Defendant sent cease and desist letters to several Warner licensees in Korea merchandising products bearing the original TOM & JERRY character. The Defendant alleged trademark infringement and demanded Warner's licensees immediately suspend all use of the original character.

In response, Warner (through its affiliate, Turner Entertainment Co.), filed an invalidation action against one of the Subject Marks and at the same time, Warner filed a declaratory judgment action seeking confirmation that the Plaintiffs' use of Warner/Turner Group's TOM & JERRY marks (the "Cited Marks") does not constitute infringement on the Defendant's rights under the Subject Marks.

District Court Decision

Whether the Plaintiffs have standing to bring a Declaratory Judgment Action against the Defendant.

The Defendant argued that the Plaintiffs do not have standing to bring a declaratory judgment action, because (1) the Plaintiffs are not actually using the Cited Marks on goods identical/similar to each of the goods designated by the Subject Marks and (2) the present action is not an appropriate means for removing the existing legal uncertainty because the Plaintiffs could have filed i) a scope confirmation trial against the Subject Marks before the Korean Intellectual Property Tribunal, ii) a claim for confirming non-existence of damage compensation liability on the part of the Plaintiffs, or iii) a claim for enjoining the Defendant's acts of unfair competition.

However, the Seoul Central District Court held that (1) Warner is engaged in the business of executing license agreements with domestic licensees based on license and merchandising rights granted by Warner/Turner Group; and that the Defendant had demanded Warner's licensees suspend use of the Cited Marks, arguing Warner's aforementioned activities infringe upon the Defendant's trademark rights under the Subject Marks; and (2) the present action is an appropriate means for removing the existing legal uncertainty i) since the Plaintiffs would not be able to obtain a decision on whether the Defendant's exercise of its trademark rights for the Subject Marks constitutes abuse of rights through a scope confirmation trial, ii) since the claim for confirming non-existence of damage compensation liability would not confirm that the Plaintiffs have not been infringing upon the Subject Marks and iii) since the

Plaintiffs would only be able to prevent the Defendant from using the Subject Marks through the unfair competition action, but not obtain confirmation that the Plaintiffs' use of the Cited Marks does not infringe upon the Subject Marks. Based on the above rationale, the court rejected the Defendant's arguments and held that the Plaintiffs have standing to bring a declaratory judgment action against the Defendant.

Whether the Plaintiffs' Use of the Subject Marks would infringe the Defendant's Trademark Rights.

The Seoul Central District Court acknowledged the below facts;

- (i) The Cited Marks seem to have been already widely recognized in the U.S. and Japan as source identifiers at the time of the applications for the Subject Marks;
- (ii) Turner Entertainment obtained 13 registrations for the Cited Marks in Korea during the period from July 18, 1994 to April 11, 2005 (before the earliest filing date of the Subject Marks), and its licensees have sold products bearing the Cited Marks in Korea from 1998 until before the filing date of the Subject Marks;
- (iii) The Defendant registered the Subject Marks, taking advantage of the fact that Warner/Turner's registered marks designate limited goods;
- (iv) The Subject Marks are similar to the Cited Marks;
- (v) Since February 2007 the Defendant has demanded that Warner's licensees stop using the Cited Marks and instead execute a license agreement with the Defendant, alleging that use of the Cited Marks infringes the Defendant's rights to the Subject Marks filed in 2007; however, the licensees were duly granted the right to use the Cited Marks by Warner; and
- (vi) The Patent Court held that one of the Subject Marks should be invalidated¹

In light of the foregoing, the Seoul Central District Court held that the Defendant's exercise of trademark rights against the Plaintiffs deviated from the purpose or functions of the trademark system, which aims to maintain business goodwill of trademark users and protect the interests of consumers, and disturbed fair competition and public order in business transactions. Thus, it cannot be allowed because it constitutes abuse of rights pertaining to the Subject Marks, despite the appearance of exercise of trademark rights - as such, the Plaintiffs' use of the Cited Marks does not constitute infringement of rights under the Subject Marks.

Comments

The Korean trademark system is based on the first-file rule and some Korean individuals/companies have obtained trademarks registrations which are identical/similar to famous marks/characters in bad-faith and have exercised their trademark rights by issuing cease and desist letters and filing criminal actions to obtain unjust profits. Owners of famous marks/characters may consider filing declaratory judgment actions to protect their licensees in Korea and/or their business from actual threats as well as filing invalidation actions for de-registering the imitative marks. It is expected that this decision will likely be cited in future trademark cases involving other famous character marks as a reference in support of trademark protection in Korea. This decision is currently under appeal before the Seoul High Court.

¹ While the declaratory judgment action was pending, the Patent Court held that the Defendant's "



" mark should be invalidated due to the Defendant's bad faith intent to exploit the fame of the TOM & JERRY character. The Patent Court's decision was later upheld by the Supreme Court.