

한국의 경쟁조건관점에서 고찰한 글로벌화와 위조상품에 관한 연구

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The Globalization Era and Counterfeit Goods in Korea

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국문요약

본 연구의 목적은 한국의 글로벌화에 따른 유명상표와 지적재산권의 관계를 살펴보고, 위조상품을 상표권적 측면과 국제통상문제의 시각에서 조망한 후 이에 따른 대응 방안을 제시하고자 한다.

연구방법은 문헌조사와 전문가 인터뷰를 실시하였다. 문헌 조사는 국내외 각종 문헌과 정부 자료 및 관련 법제에 대해 수집, 분석하였으며, 전문가 인터뷰는 관련 업체, 관련 분야 전문가를 중심으로 진행되었다.

연구 결과 첫째, 우리 정부는 공정한 경쟁 조건과 공통의 규칙 아래서 세계 경쟁을 펼치기 위해서 관련 법제를 지속적으로 정비하고 둘째, 위조상품 추방을 위해서 제도의 실효성을 확보할 수 있도록 효율적이고, 강력한 법 집행이 선행되어야 하며 셋째, 유명상표와 관련한 타인의 신용에 편승하거나 부적절한 표현 등을 사용해서 품질과 관련하여 소비자를 현혹함으로써 부당한 이익을 얻으려는 상표 질서 문란 행위자를 견제하여 부정경쟁을 예방, 억제하는 방향으로 상표법이 운영되어야 하며 넷째, 시장에서 위조상품의 폐해가 어떠한 결과를 가져오는지 업계 및 일반인들에게 깊이 인식시켜야 하는 것으로 나타났다.

Key Words : counterfeit goods(위조상품), intellectual property rights (지적재산권), globalization(글로벌화), trademark rights(상표권)

I. Introduction

The availability within a nation of significant scientific, technical and market-related knowledge means a nation is endowed with knowledge resources. The presence of these factors is usually a function of the educational orientation of society as well as the number of research facilities and both governmental and private institutions in the country. These factors are important for success of sophisticated products and services and doing business in sophisticated markets (Keegan, 2002).

In the 21st century, acquisition of intellectual property has emerged as the means of determining a nation's competitiveness in the global economy rather than the traditional dependency on natural resources. As a result, such trend has increased people's interest in proper protection of the individual and enterprises' intellectual properties, as it is the government's basic duty to protect its citizens' property. At the same time, it coincides with our current government's policy to promote industrial development through establishing healthy competition. Furthermore, proper protection of property as an individual's or enterprise's knowledge asset has emerged as a common interest of various nations in today's competitive world.

The importance of knowledge asset such as one's intellectual property is considered as a key factor in competition found in modern knowledge-based society. Especially the right to trademark has been considered to be increasingly more important in protecting both intangible and tangible industrial assets. By protecting the trademark rights, one can protect the rights of both trademark owners and consumers. Production and merchandising of counterfeit goods violates trademark owners' rights and works against promoting healthy industrial development.

Early trademark law considered the primary function of a trademark to be an indicator of the product's origin, i.e. to identify who made the product and distinguish it from those made by others. Additional functions of a trademark that have developed over time are to indicate a product's quality, to serve as a means of advertising the product, and to establish goodwill for a business. Another function of a trademark is delineated by Cohen (1986), who traces the development of trademark protection as it relates to the distribution decisions made by firms (Duhan & Sheffet, 1988).

Counterfeit goods impose significant threat to credibility of an industry and of a nation. In this competitive world without borders, superior quality and function of goods is a basic necessity to be equipped. Since the brand name represents products, protection of trademark has become the primary focus of industries and of nation at a rapid pace. Peoples interest in counterfeit goods coming from the globalization and the protection of trademark has further increased, and the need for related study has been escalated as a result.

The purpose of this study is to investigate the relationship between renowned goods and intellectual property rights and to analyze counterfeit goods from the trademark rights' as well as international traders' point of view. A political proposal will also be provided.

II. Method

1. Data collection

Research of existing documents and interviews with experts was conducted. Various records of domestic documents, government documents, and related regulations were collected and analyzed. Interviews were conducted primarily with experts on government policy (n=5) and related industries fields (n=25).

2. Definition of terminology

Counterfeit goods: Counterfeit goods are defined by articles on which a forged trademark, being the same or similar to the original trademark, is attached, without consent from the trademark owner.

Intellectual property: Intellectual property is defined as industrial property, which includes inventions (patents), trademarks, industrial designs, and geographic indications of a product's source.

Trademark rights: A trademark is a word, name, symbol or device, which is used in trade with goods to indicate the source of the goods and to distinguish them from the goods of others. Trademark rights may be used to prevent others from using a confusingly similar mark, but not to prevent others from marking the same goods or from selling the same goods or services under a clearly different mark.

3. Interview procedures and method

Interview procedures and method used are as follows.

As for the administrators, officials in charge of trademark and parallel importation working at the Korea Customs Service were phoned prior to the interview for permission, and they were questioned about the current application of the trademark law, circulation of counterfeit goods and the problems they cause, and the future plans to protect trademark rights. As for the related field experts, exclusive import right holders dealing with renowned brand name products(10 companies including Berberry, Gucci, Cartier, Maxmara, Igner, Genzo, etc.) were interviewed, and as for the parallel importation companies, 15 renowned brands retailers such as Doosan Tower and Migliore were interviewed regarding the circulation of counterfeit goods, problems they cause, and proposed policies with countermeasures.

III. Background and Results

1. International Protection of Intellectual Property Rights

The most important organizations and pacts organized to globalize the protection of intellectual property rights are the WIPO (World Intellectual Property Organization), WTO (World Trade Organization)

and TRIPS (Trade Related Intellectual Property Rights Agreement). WIPO is an organization that protects intellectual property rights at an international level, while TRIPS is a pact that establishes the order in international commerce as it also settles any commercial disputes involving intellectual property rights at the WTO level.

WIPO

According to WIPO established treaty article 2, clause 8, intellectual property rights include literatures, arts and science writings, public exhibitions by actors, musical records, trademarks, service marks, titles of firms and others, rights related to the protection from unfair competition, and other rights involving intangible activities in the industrial, scientific, literary and art sectors. As a result, copyrights, trademarks, patents, practical usage of new ideas, presidential rights, along with domain names, and even classified information of firms are protected. Among these, recent focus has been on copyrights, trademark and patents. Related products include various medical products, cosmetics, textiles, clothing, musical records, chemical products, electronics, and film products.

WTO/TRIPS

The intellectual assets mentioned above are naturally very transmittable, thereby calling for the need for international regulation. As a result, many international treaties, such as the Paris and Berlin Treaties, have been signed since the late 1800s. However, the need for a universal treaty has resulted in a long negotiation lasting seven years during the Uruguay Round, resulting in the organization of the World Trade Organization (WTO) in 1995. The members of WTO agreed to the Trade Related Intellectual Property Rights Agreement (TRIPS) regarding intellectual property rights and thus opened a new era in protecting those.

TRIPS is based on the enhancement of the role of pre-existing treaties as a method of protection, especially in terms of preventing counterfeit products. The main objective of TRIPS is to protect and enforce intellectual property rights more effectively, and to establish new regulations when needed. Main categories of TRIPS are composed of 7 articles and 73 clauses that include fundamental rules, protection of copyrights, patents, trademarks, enforcement procedures, dispute settlements, and interim measures.

Contents of TRIPS can be summarized as follows.

First, the contents relating to national treatment of citizens are stated (TRIPS, Article 3). The most important aspect of this treaty is the elimination of discrimination of foreigners. Members of the treaty cannot give unfair advantages according to nationalities. Non-members are excluded in the enforcement of this article.

Second, the notion of trademark based on more developed nations (TRIPS, Article 15) unifies different trademark laws. More developed nations, such as the United States, recognize their trademarks in colors and sounds; however, such broad range of trademarks has not been recognized in developing nations. It was therefore finally decided to adopt more developed nations' broad range of trademarks including colors and sounds.

Third, regulating products deceptively indicating wrong geographic origin is prohibited (TRIPS, Article 22 & 23). Article 22 and 23 strictly regulate products deceptively indicating wrong geographic origin. For

example, an apparel company from Africa with no relation to Britain is not permitted to use a name such as London, which could lead to the notion of the product being somehow related. In addition, in terms of alcoholic beverages such as wines, affixing a mark stating it is from somewhere other than its actual place of origin is strictly forbidden.

Furthermore, the usage of phrase, -style, such as New York Style, is prohibited. However, it may be a difficult task for individual countries to enforce such regulation even in the near future.

Fourth, prevention of infringements and strengthening of penalties (TRIPS, Article 61) are included in the treaty. Each nation under the treaty penalizes those who violate trademark laws and provides regulations that prevent imports of counterfeit goods.

2. Protecting Intellectual Property Rights on the Domestic Level

Korea participates in 8 treaties out of 21 that WIPO leads. The Korean government has enforced a policy protecting intellectual property rights and was able to increase the rate of indictment to 65%, of prosecutions - 75% on charge of violation of copyright and trademark right laws from 1996 to 1999. Despite such increase, Korea's protection of intellectual property rights is still a major issue with the countries with which the country conducts commerce (MOFE, 2001).

1) Actual violations of illegal imports/exports of counterfeit goods

In other words, circulation of counterfeit goods is not being eliminated in Korea despite enforcing TRIPS and international customs regulations attempting to prevent imports and exports of intellectual property rights violating products. According to U.S. Customs Service reports of intellectual property rights violations in 2000, Korea was ranked at number 3 in violations reported. Furthermore, the Japanese Ministry of Commerce and Industry's data collected in 2000 indicates that the production and the circulation of counterfeit goods are concentrated in China, Taiwan and Korea. 34% of counterfeit goods are produced in China, 18% in Taiwan, and 14% of in Korea. As a result, the Japanese Ministry of Commerce and Industry intends to demand quick reform of these nations to provide better protection against such piracy. If such demand is not met, the intent is to report to WTO. A joint team of non-governmental and governmental officers will be dispatched to countries producing and circulating counterfeit goods to discuss such matter with the government. In order to increase the accuracy of the actual conditions in which counterfeit goods are produced and circulated, a native team of experts will be hired to investigate the production and marketing routes in these countries (The Nihon Keizai Nippo, Nov. 2, 2001).

As presented in Table 1, The number of seized counterfeit products have increased from 7 seizures involving 400million won in 1995 to 222 seizures involving 155,294million won in 2000. Such sharp increase is due to insufficient regulations to fully monitor the parallel importation system. In case of popular brand names, it takes a long time to distinguish counterfeits from originals, and even when counterfeits are found, it is impossible to track the exporter(Chosun Ilbo, 1996).

Korean-based foreign companies are also trying to find ways to eliminate counterfeit goods because they not only cause decrease in revenue and a damaged image of corresponding firms, but also cause

violation of consumer rights and establishments of unlawful conducts in commerce (The Chosun Ilbo, Jun. 5, 2001).

<Table 1> Actual violations of illegal imports/exports of counterfeit goods

Year	1995	1996	1997	1998	1999	2000
Cases	7	8	29	27	91	222
Amount *	400	800	236	9,701	94,425	155,294

Source: The Korea Customs House, 2000.

* Unit: million Korean Won

2) The limit of the trademark law concerning renowned brands

Table 2 shows how Korean trademark law classifies renowned brands in 3 categories depending on how well-known it is: (1) known as a specified person's brand, (2) a widely known brand, and (3) a famed brand. The Problem with such classification is that, realistically, it is very difficult to verify each category, especially when verifying widely known and famed brand, making it possible for personal opinions to be involved in the practices of law. In addition, Korean trademark law includes people in business relations with in end-user, and it is not quite clear if products have to be well-known among just end-users, or among people in business relations with as well.

<Table 2> Contents of trademark law related documents

Articles	Contents
Article 7-(1)-(ix)	Trademarks which are identical, or similar to, another person's trademark which is well known among consumers as indicating the goods of that other person, or goods similar thereto, and which are used on goods that are identical, or similar to such goods.
Article 7-(1)-(X)	Trademarks which are liable to cause confusion with another person's goods or services because they are recognized among consumers as designating the goods or services of that other person.
Article 7-(1)-(xi)	Trademarks, which are liable to mislead or deceive the consumers as to the quality of the goods.

3. Results of the Interview of Related Field Experts

1) Official in charge of the policy related to trademark rights

Interviews with 5 the Korea Customs Service officials(2 phone interviews and 3 in person interviews) in charge of trademark rights and counterfeit goods reveal the recognition of the existence of the problem and the difficulty in providing realistic solutions.

First, in case of customary pass suspension claim by the trademark rights holder, the security deposit of 120% of the total value of the goods must be paid in order to compensate for the losses parallel importers in good faith may suffer and to discourage a rightful person from misusing of the trademark rights. Such high cost of 120% is quite a burden on the trademark holder. On the other hand, in some cases the total loss a parallel importer takes as a result of customary pass suspension may be more than

the security deposit of 120%; for instance, a genuine product imported under the parallel importation system can be delayed for customs clearance owing to legal claim laid by a trademark holder, thus making the importer unable to sell in the season he targeted. Therefore, more sensible security deposit policy taking estimated loss of the parallel importers into account should be adopted and enforced.

Second, the current system for recognizing trademark violation leaves it up to the trademark rights holders to verify the authenticity of goods acknowledging the lack of ability to sort out imitation goods by the Korea Customs Service officials. This system being operated now is problematic in that only high level of expertise would be able to verify some high quality counterfeit goods because workmanship and finishing technique of counterfeit goods have so improved that customs officials active in the first line have the limits in verification ability.

Third, more realistic and concrete policy in apprehending counterfeit goods is needed. The customary practice of the current systems apprehension policy and the lack of proper compensation cause inefficiency in reporting counterfeit goods. In addition, advertising the reporting policy is very poor as well.

2) Person in charge of the exclusive import right holders trademark rights

There has been an increase in the possibility of imports of renowned brands counterfeit goods since 1995 authorization of parallel importation. In particular, parallel importing companies informally bring in off-season goods from licensees or wholesalers at lower than the normal prices without any quality inspection by the supplying brand. As a result, consumers have been criticizing the lack of warranty or A/S on the products. In order for the parallel importers to succeed, more long term effort to prevent circulation of imitation goods is needed. Also, more effective regulations must take effect in order to strengthen the nations competitive advantages and to restore nations image.

3) Managers of parallel importing companies dealing with renowned brand name products

Many of them avoided answering the questions about the circulation of counterfeit goods, and some stated that sometimes they also suffer damage since the wholesalers in the county they import from export counterfeit goods.

In addition, it is stated that some small companies import counterfeit goods and sell them, while most of the companies with considerable importing amount retail brand new items in season along with off-season items.

Enforcing minimum requirements on parallel importing companies rather than trying to prevent the circulation of counterfeit goods is recommended as the governments policy. Furthermore, encouraging consumers right shopping behavior is recommended.

IV. Conclusion & Implication

WTO/TRIPS are very inclusive and forceful provisions that many countries other than more developed

countries have difficulties practicing. As a result, an interim measure takes effect in TRIPS article 65, stating that the provisions be carried out starting in 1996 for developed countries, in 2000 for developing countries, and in 2005 for third-world countries. When the interim measure expires, countries must submit their intellectual property rights statute to the TRIPS board of directors to verify their fulfillment of the provisions. Korea is already enrolled in the TRIPS system and must take into consideration that any statute working against TRIPS may institute a lawsuit by WTO.

First, the Korean government has refined the laws and system corresponding to the Paris Treaty and TRIPS to protect intellectual property rights and must now keep trying to refine and renovate the laws and system for better protection of intellectual property rights. All countries must be able to compete against each other under fair terms and common rules. The importance of protecting intellectual property rights and providing fair conditions to compete must be emphasized.

Second, eliminating counterfeit goods may not be accomplished with just refining the laws and regulations; a more effective and forceful execution of law must accompany such actions. In Korea, the responsibility is divided according to corresponding offices such as the Korea Customs Service, the Korea Intellectual Property Organization, the Ministry of Information and Communication, the Ministry of Culture and Tourism, and the Korea Fair Trade Commission. Furthermore, a need for a board of directors to monitor these must be considered. Intellectual property rights have been distorted by trade pressure and international law legislations; thus, retuning our law for more effective execution must be accomplished.

Third, trademark owners' rights and consumers' interests must be considered by establishing stable protection of intellectual property rights. Moreover, trademark laws must be enforced to prevent unfair competition by penalizing counterfeit goods providers.

Fourth, people and industries' awareness in damage done by counterfeit goods in the market should be emphasized. People and industries need to understand that it is illegal and simply wrong to deal with counterfeit goods. This can be established by emphasizing education and publicity. A system that properly awards those reporting counterfeit goods without inconvenience must also be provided and enforced.

Finally, this study conducted a survey with government officials, exclusive import right holders, and parallel importing companies for the first time to broaden the understanding about recognizing the problem and to suggest a possible solution. More effective solutions will be developed as studies are continuously conducted.

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