

Korea Fair Trade Commission Announces Its 2015 Annual Work Plan

The Korea Fair Trade Commission (the "KFTC"; Chairman Jae-Chan JEONG) announced its 2015 Annual Work Plan (the "Work Plan") on January 29, 2015. In order to **"establish a market economy with proper principles,"** the KFTC announced its Work Plan that emphasizes focusing law enforcement on **global monopoly enterprises, novel types of transactions and the public sector,** as well as seeking **proliferation of the culture of fair trade between large enterprises and small-and-medium enterprises and realization of a market that promotes consumer satisfaction.**

A brief introduction of the **major policies for the four core tasks** of the KFTC are as follows.

1. Strengthen Enforcement of Competition Law Against Global Monopoly Enterprises

- The KFTC announced that the expansion of economic globalization enabled foreign enterprises to have a great influence in the Korean market, and, as a result, the KFTC will **strengthen enforcement of competition law** in order to prevent the Korean market from being harmed due to **abuse of market dominant position by global monopoly enterprises.**

Category	Major Work Plan
Closely monitor abuse of market dominant position by global monopoly enterprises possessing original technology	<ul style="list-style-type: none"> ➢ Since abuse of market dominant position by global monopoly enterprises possessing original technology has a substantial influence in the Korean industry, focused monitoring is planned for this area (Example) Conducts such as excluding competitors by abusing market dominant position formed through standard-essential patents ("SEPs") or conduct such as collecting excessively high royalties through inclusion of patents unrelated to standard patents ➢ A special task force in charge of the ICT industry was formed in order to strengthen expertise ※ ICT : Information and Communications Technologies
Closely monitor international cartels in fields that rely heavily on imports	<ul style="list-style-type: none"> ➢ Closely monitor imported core parts and materials for major industries, such as vehicles and electronics ➢ Constantly monitor joint manipulation of internationally publicized prices for petroleum and grains, which have a broad influence on the economy (through cooperation with competition authorities in the United States and the European Union) ➢ Actively review criminal prosecution of international cartel cases
Examine Global M&As more strictly	<ul style="list-style-type: none"> ➢ Strengthen examination of global M&As in input markets regarding IT and electronics industries, which account for a large portion of the Korean economy

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2. Strengthen Potential For Creativity And Innovation By Encouraging Competition

Category	Major Work Plan
<p style="text-align: center;">Encourage Competition in New Transaction Sectors</p>	<p>The KFTC's view is that <u>novel transaction sectors (IT, intellectual property, software, etc.)</u> are sectors in which creativity and innovation thrive, but they are also sectors where a monopoly is easily formed, which could lead to harm from of unfair trade practices</p> <ul style="list-style-type: none"> ➤ As a response, the KFTC will strengthen its monitoring of abuse of market dominant position by platform enterprisers, such as <u>mobile social media providers and OS providers</u> <ul style="list-style-type: none"> - In particular, <u>the KFTC will monitor unfair trade practices that may occur when a platform operator expands into the adjacent markets</u> ➤ The KFTC will also closely monitor abuse of market dominant position by <u>software monopolies and enterprises possessing standard technologies</u> <ul style="list-style-type: none"> - Strict sanctions will be imposed against conducts such as tying and abuse of patent rights
<p style="text-align: center;">Eradicate Unfair Practices in the Public Sector</p>	<p>The KFTC's view is that there are low incentives for competition in <u>the public sector</u> due to systematic monopolies, and, accordingly, there is a great need to actively <u>correct unfair practices that have been established</u></p> <ul style="list-style-type: none"> ➤ <u>Subject of investigations to be expanded to include other state-owned companies and companies owned by regional governments in 2015</u> ➤ Establishment of a monitoring system for public-sector bid-rigging
<p style="text-align: center;">Promote Corporate Restructuring</p>	<ul style="list-style-type: none"> ➤ As the global recession continues, large conglomerates are restructuring their businesses to focus on core industries, which will likely increase the number of domestic M&As in the future. The KFTC will encourage the active use of the <u>voluntary pre-merger filing system</u> in order to <u>support corporate restructuring efforts</u> <ul style="list-style-type: none"> ※ <u>A system in which a corporation files, prior to making an official filing, an application for examination of a merger with the KFTC for the KFTC's review and decision</u> ➤ Promotion of transparency in transactions and ownership structure of large conglomerates

3. Rectification of Unfair Practices Between Large Enterprises and SMEs

- The KFTC will continue to rectify unfair trade practices between large enterprises and SMEs in the **subcontracting, distribution, franchise and dealership sectors**. Further, the KFTC will establish a comprehensive protection system in order to prevent **retaliation or unlawful actions by large enterprises or headquarters against a party for filing a report to the KFTC** (within the first half of 2015).

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Major Work Plan	Details
Subcontracting Sector	<ul style="list-style-type: none"> ➤ With respect to subcontractor's fees, the KFTC will first investigate primary and secondary line subcontractors that often file complaints, and upon finding cases involving payment defaults, additional investigations will be conducted ➤ Closely inspect unfair subcontracting transactions regarding derivative knowledge and information (e.g., software development, network system establishment, etc.) ➤ Encourage voluntary corrections: In case of voluntary corrections regarding subcontractor's fees, only a warning will be issued without imposing penalty points
Distribution Sector	<ul style="list-style-type: none"> ➤ Closely monitor TV home shopping, which is a market with continued growth ➤ A Joint Government Task Force on Normalization of TV Home Shopping Transaction Practices will be formed (Small and Medium Enterprise Administration, the KFTC and Ministry of Future Planning) ➤ Closely monitor hypermarkets, department stores and outlets <ul style="list-style-type: none"> - Monitor pass-on of marketing and promotion costs and unfair staffing of promotion agents
Franchise Sector	<ul style="list-style-type: none"> ➤ Strengthen monitoring of pass-on of costs to franchisees (promotion costs and re-decoration costs, etc.) and franchisors that rapidly increase franchisees in a short period (soliciting franchisees through false or exaggerated information)
Dealership Sector	<ul style="list-style-type: none"> ➤ Constant monitoring of, and strict measures against, headquarters for unfair trade practices, such as pass-on of promotion costs and coerced sales targets ➤ Strict measures to be administered on retaliatory measures by headquarters against dealers filing complaints

4. Establishment of a Consumer-Friendly Market Environment

- With respect to consumers, the KFTC will **implement consumer protection policies for sectors with frequent consumer harm** by: ① combining the various consumer relief systems dispersed throughout various agencies into a single system to provide a one-stop service; ② strengthening monitoring of **pyramid schemes, telemarketing, door-to-door sales and funeral services** in order to reduce consumer harm (in particular, illegal overseas online pyramid schemes, advertisement sales enterprises, unfair practices in the process of an M&A, etc.); ③ closely monitoring and rectifying **unfair contract terms by overseas sale or shipping agencies, financial institutions and matchmaking services, as well as false or exaggerated advertising in real estate and electronic commerce sectors.**

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