

INTELLECTUAL PROPERTY IN THAILAND

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Thailand's government and police authorities are consistently under heavy pressure from multinational companies owning registered trademarks, patents and copyrighted works because of a perceived lax attitude toward adequate protection of Intellectual Property Rights (IPRs). While the problem of trade in counterfeit and pirated goods is not unique only to Thailand, IP owners are justified in their assessment that abuse of IPRs is indeed rampant in the jurisdiction.

The continued presence of a glut of infringing goods manufactured and sold in Thailand is especially remarkable because it is seen despite the promulgation of one of the most aggressive legislative schemes to facilitate enforcement efforts of any country in Southeast Asia.

The Thai Department of Intellectual Property (DIP) has in recent years sponsored well-publicized public education initiatives designed to educate its population that trade in pirate and counterfeit goods has damaged Thailand's ability to migrate from a primarily agrarian economy to an industrialized economy that can compete in the globalized marketplace. Increasingly, infringing activity is no longer seen as an "innocent" vice conducted by small-time traders. There is a recognition that mass production of goods in violation of others' IPRs is just one part of the diversified portfolio of immense and well-organized criminal organizations also responsible for trade in drugs, weapons, and human smuggling.

Despite the recent efforts of the DIP to "crack down" on the infringement of trademarks and copyrighted works, the laws of economics act in juxtaposition to the laws protecting IPRs. Supply is readily available because of the downturn of the economy, the increase in unemployment (approximately 1 million workers unemployed as of December 2001) and cheap labor costs. Moreover, Thai workers' renowned skill in traditional handiwork is easily transferable to the manufacture of high quality imitations that are often quite difficult to detect without specialized training. Demand is also ever present because of the constant flow of indiscriminate tourists and vacationers eager to obtain a bargain for their yen, dollar, euro or pound sterling.

Set forth below is the essential legislative framework available in Thailand for protecting IPRs. Along with this basic framework for protection of trademarks, copyright, and patents, it should be recognized that new laws, including a much needed law governing the control of compact disc

production, a geographical indications bill, a trade secrets bill, and a plant variety protection bill, are either being considered for passage or will be implemented in the Kingdom of Thailand in 2002.

Trademark Protection: Registration and Enforcement

The legal framework for the protection of marks in Thailand is set out in the Trademark Act, B.E. 2534 (A.D. 1991), as amended by the Trademark Act (No.2) B.E. 2543 (A.D. 2000). Enforcement of trademark rights is governed by the Trademark Act, the Penal Code and the Civil and Commercial Codes. Under this framework, there are several essential elements IP owners should be aware of when considering protection of a trademark in Thailand.

a. Registration Considerations

First, the criteria for what may qualify as a Trademark are set forth in section 4 of the Act. In addition to the usual text, photographs, names, etc. that are usually protected in most jurisdictions, the Thai Trademark Act also provides protection for shapes and three dimensional objects, groups of colors and combinations of these concepts.

Second, company names generally need not be presented in stylized form to qualify as a distinctive trademark so long as the name makes no attempt to establish a juristic status (e.g., "Co., Ltd., Inc., or Limited").

Third, for purposes of registrability analysis, Thailand recognizes the concept of "well-known mark" although the registrar's subjective opinion on what exactly constitutes a "well-known mark" controls the analysis. There is no objective list of well-known marks.

Fourth, Thailand is not a member of any international trademark treaties, such as the Madrid Protocol or even the Paris Convention.

b. Enforcement Considerations

To enforce one's rights in Thailand, there are essentially two alternatives to proceed to take legal action against an infringer: a criminal action and/or a civil action.

The most cost-effective remedy available to the owner of a trademark that is registered in Thailand is found in the Thai Trademark Act. Section 44 of the Act provides that when a trademark is registered, the person registered as the proprietor of that trademark shall have the exclusive right to its use for the goods in respect of which registration has been granted.

Penalties for forgery of a trademark registered in Thailand can include fines up to 400,000 Baht (approximately 9,000 USD) and prison sentences up to four years (usually reduced or suspended for first time offenders). A trademark owner may bring criminal charges against an infringer by either submitting a complaint directly to the Court, or more commonly, lodging a complaint with police authorities. Penalties for imitation of a mark registered in Thailand are similar but less severe. *The key point to remember is that the mark must be registered in Thailand in order to have the full range of protections provided in the Trademark Act.* Infringement of foreign registered marks can also lead to criminal sanctions, but the fines are dramatically less and provide little deterrent effect.

Significantly, unlike the Copyright Act (described more fully below), which (for the time being) provides for allocation of fines imposed against copyright infringers, all fines imposed under a criminal trademark action escheat to the government. A crime involving trademark infringement is considered a crime against the state by the Thai government, while copyright infringement is considered to be a crime of a more personal nature against an “aggrieved party.”

Moreover, a trademark owner may not “settle” with the offender after a complaint is filed and a raid is taken. The action must be pursued by the responsible Public Prosecutor to judgment. Accordingly, in a clear cut case of infringement involving an established Thai business with assets and responsible Managing Directors (as opposed to a blatant counterfeiting operation), one might consider first reaching out to the infringer with a “Cease and Desist” or “Request for Cooperation” letter in order to achieve any objective short of full criminal prosecution.

In addition to Section 44 of the Thai Trademark Act quoted above, civil action for “passing off” may be taken pursuant to Section 420 of the Civil and Commercial Code, “CCC”, states that *“A person who, willfully or negligently, unlawfully injures the life, body, health, liberty, property or any right of another person, is said to commit a wrongful act and is bound to make compensation therefor.”*

Therefore, under Thai commercial law, a trademark owner is entitled to take civil action against an infringer for use of its mark without authorization. In a civil suit, an owner could request a permanent injunction against the offender and/or recover any actual proven damages. However, in practice, most trademark owners prefer to proceed under criminal law because of the uncertainty of outcome, costs, delays and difficulty in collection of judgment assets associated with civil litigation against infringers in Thailand.

The Thai Central Intellectual Property & International Trade (IP&IT) Court saw 138 new civil cases of trademark infringement filed last year with a total amount in controversy in excess of 750 Billion Baht. By contrast, 1,895 cases criminal trademark infringement were filed in the Court. Most of the accused offenders plead guilty in criminal cases in the hope of avoiding prison sentences and

securing lower fines. Recidivism is punished more harshly and second or third time offenders may actually spend a substantial amount of time in jail.

Worth noting is that there is no dedicated statute specifically promulgating unfair competition laws other than general proscriptions in the Thai Penal Code “Offences Relating to Trade.” As a general matter, trade dress protection doctrines are also not recognized under Thai law.

Copyright Infringement and Piracy: The Hot Button Issue in Thailand

There is presently no intellectual property related issue that receives more media or government attention in Thailand than the issue of piracy of copyrighted works, with primary attention devoted to illegal reproduction and distribution of software, film and music content. Literally every week, there is a press release or media report about actions taken by local and international industry groups to combat the piracy epidemic in Thailand. Among the most active groups engaged in the anti-piracy campaigns are the Business Software Alliance (“BSA”), International Federation of the Phonographic Industry (“IFPI”) and Motion Picture Association of America (“MPAA”).

The Copyright Act provides criminal penalties, including fines and imprisonment for infringement of copyrighted works. While the Copyright Act provides for confiscation of infringing goods and permits the copyright owner to seek to permanently enjoin an infringer from repeating the offense, the Copyright Act also provides that 50% of the fines levied by the Court against the infringer will be payable to the copyright owner. In addition, at the time of this writing, the Copyright Act provides that the copyright owner may withdraw the complaint filed against an infringer and settle the case privately. The settlement in this regard may take place at any time during the criminal proceedings but before judgment is rendered.

Criminal action against infringers of copyrighted works that are protected in Thailand¹ may be taken under the penalty provisions of the Copyright Act (Sections 69-77). The four most important enforcement/penalty provisions for copyright owners are Sections 69, 70, 75 and 76.

Section 69 states that “Any person infringing the copyright or the performer’s rights under Section 27, Section 28, Section 29, Section 30 or Section 52 shall be liable to a fine of 20,000 Baht to 200,000 Baht.”

Section 70 states that “Any person infringing a copyright under Section 31 shall be liable to a fine of 10,000 Baht to 100,000 Baht.

¹ There is no requirement that a copyrighted work be recorded or registered in Thailand to be protected, but there is a mechanism under Thai law for recordation to occur. Recordation would prove helpful as evidence of ownership of the copyright in any litigation.

If the violation under paragraph one is committed for commercial purposes, the offender shall be liable to imprisonment of three months to two years or a fine of 50,000 Baht to 400,000 Baht, or both.”

Section 75 states that “All articles made in or imported into Thailand which constitute an infringement of copyright or performers’ rights pursuant to this Act, and are owned by the offender under Section 69 or Section 70 shall become the property of the owner of the copyright or performer’s rights, whereas all articles used for committing a violation shall be forfeited.”

Section 76 states that “ One-half of the fine paid pursuant to a judgment of a court shall be payable to the owner of the copyright or the owner of performer’s rights, but the payment shall not be prejudicial to the right of the owner of the copyright or the owner of performer’s rights to bring a civil action to sue for damages which are in excess of the amount of the fine received by the owner of the copyright or the owner of performer’s rights.

If a criminal raid brought under the Copyright Act is successful, the copyright owner can then seek prosecution of the infringers, or choose to make a private, out-of -court settlement in the presence of the police. Therefore, prior to the raid, the copyright owner should determine whether he or she would consider a settlement if the circumstances warrant such settlement. Such settlements would usually require the infringer to make a cash payment to the copyright owner, and to sign a written undertaking agreeing not to resume infringing the owner's copyright in the future.

If the copyright owner wishes to prosecute, or cannot reach a settlement with the infringer, then the public prosecutor would handle the subsequent prosecution. Criminal trials are relatively straightforward and not overly prolonged. While the Court can order the imprisonment of infringers, a first time infringer is more likely to be fined, or at worst receive a suspended prison sentence. It is worth noting that, the new IP & IT Court has been willing to levy substantial fines in Copyright cases. Conviction also gives the infringer a criminal record, with increased penalties likely for a second offense.

In 2001, 1,293 cases of criminal copyright infringement were filed in the IP&IT Court, with the majority of cases being filed for infringement of cinematographic works and sound recordings. On December 18, 2001, the DIP and law enforcement authorities sponsored a well-publicized public destruction campaign where 127,256 seized fake goods with a value of 38,176,800 Baht were literally steam-rolled in front of an audience of hundreds.

The Copyright Act does not provide for statutory compensation for the owner of an infringed copyright. Compensation for actual proved damages may be obtained through the filing of a suit in Civil Court.

The basic tort provision of the Thai Civil and Commercial Code is Section 420, which states that "A person who, willfully or negligently, unlawfully injures the life, body, health, liberty, property or any right, is said to commit a wrongful act and is bound to make compensation therefore." Infringement of copyrights is an unlawful act which injures the rights of the copyright owner. Therefore Section 420 would apply to copyright infringement.

Patent Protection: Registration and Enforcement

Under the Thai Patent Act, applicants may file for patent protection for inventions, designs and petty patents. For patent filing purposes, it is worth noting that Thailand is *not* a member of the Patent Cooperation Treaty, and has its own criteria and procedure for acceptance of patent applications as per the Patent Act B.E 2522 (A.D. 1979) as amended by Patent Act (No.2) B.E. 2535 (A.D. 1992) as amended by Patent Act (No. 3) B.E. 2542 (A.D. 1999). Also worth noting is that presently, no business method patent has to date been issued in Thailand (computer programs are not patentable subject matter). Criteria for patentability are novelty, inventive step and industrial applicability. There is a compulsory licensing provision in the law which to date has never been exercised by the Thai government. Finally, pharmaceutical products are patentable if they meet the criteria, but naturally occurring micro-organisms, their components, animals, plants and/or their extracts are not patentable.

Both civil and criminal action may be taken against infringers of a Thai registered patent. Please note also in patent infringement matters involving process patents, the burden of proof is reversed: "In the case where a patentee or a petty patentee of a process patent sues and infringer of his patent or petty patent in a civil case and can prove that the product produced by the defendant has the same or similar characteristics to the product made using the patentee's or the petty patentee's process, it shall be presumed that the defendant has used the patentee's or the petty patentee's process, unless the defendant can prove otherwise".

The right of a patent owner to receive compensation in a civil action for losses suffered as a result of infringement is generally based on the tort provisions of the Thai Civil and Commercial Code (CCC) Sections 420 and 421.

Criminal action is initiated with the filing of a criminal complaint with the police, followed by a police raid (based on a lawful search warrant), arrest of the infringer and seizure of the infringing goods.

Generally speaking, there is not a great deal of patent infringement litigation in Thailand, presumably because of the lack of a formal discovery mechanism and the expense necessary to prepare and prove a case. In 2001, 4 civil patent infringement cases were filed in the IP&IT Court, while 10 criminal patent infringement cases were filed.

Traditional IP Infringement Suppression Efforts

Traditionally, trademark owners have directed their efforts to investigations to identify manufacturers or exporter/importers of counterfeit products or components, as well as street hawkers and retail sale operator stores and their suppliers. Police raids were arranged, with the offending goods being seized for later disposal. These efforts by many IP owners over the last decade has had some measurable impact on the production, trade and export of a wide variety of pirate and counterfeit products. However, there is a great deal of room for improvement.

Given the perceived dissatisfaction with the results obtained via traditional enforcement mechanisms based strictly on IP law, new strategies based on existing Thai tax and commercial law should also be considered when formulating a game plan to target infringers. To accomplish measurable results, trademark owners, their licensees, agents, distributors, dealers, lawyers and investigators should operate in close and long-term coordination with one another to protect the rights and value conferred by trademark protection.

IP owners with little familiarity of the Thai market should be aware of areas with large amounts of infringing products in Bangkok, including Sukhumvit, Silom, Pratunam, Ramkhamhaeng, Banglumpoo, Patpong (all tourist areas of Bangkok) as well as the yards of freight forwarders, consolidators and carriers for those fake products exported by land, sea and air. Worth noting is a recent government effort led by H.E. Dr. Suvarn Valaisathien, Deputy Minister of Commerce, to reach out to notorious retail outlets for pirate and counterfeit goods (such as Pantip Plaza) and secure agreements to sell only authentic items to consumers.

If an IP owner becomes aware of a shipment of phony goods, he/she should inform the Customs Department to seize the counterfeit products. Customs officials have the authority to board all vessels, open all containers, and seize all offending goods. The trademark owner or representative must be present and should be prepared to be responsible for all expenses incurred should the goods found actually turn out as genuine. Customs officials will upon request dispose/destroy the seized goods accordingly. There are obvious impracticalities in this method of enforcement.

Practical Realities: Constraints and Limitations Associated with Enforcement Efforts

Generally IP owners must be prepared to commit significant resources for any truly effective sustained campaign. Costs will include special agents'/investigators' fees for conducting raids; legal incentives and rewards given and accepted by the police and/or other officials (authorized under Thai law: "Title 38, Incentives and Rewards, Chapter 1, General Principles Concerning

Payments and Rewards,” and is contained in the regulations of the Police Internal Manual)²; rewards for informers; and naturally, legal fees.

Besides the costs involved, one should also take an informed view of the proliferation of offenders and historical tolerance of counterfeiting, which has not been culturally viewed as a criminal activity. There is as yet no real broad-based Thai public sentiment to protect IPRs. The Thai authorities and the public give priority to offenses relating to national security, tax evasion, public order, and exploitation of people.

Conclusion

The legitimate concerns of IPR holders are well known to the Thai government. However, if one is prepared to enter the Thai market to do business, one should be aware of the very real impression among the general Thai population in the present environment that aggressive lobbying for IPR protections is actually an unwelcome imposition of western notions of law and culture upon the Thai population and a direct affront upon Thai sovereignty. Accordingly, while there have been clear advances in Thailand toward compliance with TRIPS, especially when compared with progress in other Southeast Asian nations, much work remains to ensure adequate and reliable protection for the valuable intellectual property rights of companies with business objectives in Thailand. Moreover, in order to maintain the momentum, there must be appropriate respect for Thai cultural values and sensibilities as calls for progress and reform are brought to the Thai government for consideration.

² Payment of rewards under this regulation is not a violation of the US Foreign Corrupt Practices Act (“FCPA”) if done appropriately according to Thai law.