

# Political uncertainty affects IP owners

A new government introduces changes that may have implications for foreign investors. **Areeya Ratanayu** and **Clemence Gautier** of **Tilleke & Gibbins** assess the situation

**E**ver since the military coup of 2006, Thailand has been subject to disruption. The Council for National Security dissolved the constitution and appointed an interim civilian government in which retired civil servants were responsible for the management of each ministry. The main aim of the council was to oust Prime Minister Thaksin from power.

Nevertheless, under the administration of the new director general and the Minister of Commerce, the Thai Department of Intellectual Property (DIP) has retained its plan to update IP legislation and has set up subcommittees to consider aspects of each law that are in need of revision. The draft for amending the Trademark Act deals partly with the process of registration. The status of a trademark not covered by section 7 of the Act could be at the discretion of the registrar. Even smells could become registrable.

According to the present Patent Act, a patent will be granted after an application undergoes more detailed investigation lasting up to five years after the publication period. Finally, the process of registration takes about ten years. The new draft will reduce the time of registration process by issuing the patent briefly after the publication. However, the patent owner will not be able to enforce the patent until the examiner has completed the substantive examination.

The draft of the revised Copyright Act focuses on three main issues: the committee proposes to increase penalties for infringing the law; it will establish a Central Rights Management Authority; the committee also discussed the limitation of settlements for compoundable offences. Furthermore, the Trade Secret Act is subject to amendment and will become less punitive towards offenders.

By implementing these bills the DIP will comply with various international treaties such as the Paris Convention, the Patent Cooperation Treaty, and the Madrid agreements. According to officials at the DIP, the pro-

posed amendments to the Trademark Act and the Copyright Act may be passed by the current government and other changes will be made after the election of a new administration. The government has also adopted new laws like the Computer-Related Crime Act BE 2550, discussed below. However, the most significant event affecting IP rights is the compulsory licensing of pharmaceutical products.

## Compulsory licensing

On November 29 2006 Thailand's Ministry of Public Health announced its decision to force Merck & Co to relinquish its patent and IP rights on efavirenz, an effective HIV/Aids treatment known by its brand name Stocrin, and to produce the drug itself through the Government Pharmaceutical Organization (GPO). This was in spite of the fact that Merck offers Stocrin at no-profit. Thailand has been one of the world's few middle-income countries to receive the drug at this price. On January 29 2007, the Ministry of Public Health extended its policy to stop the patent of another anti-HIV medication, Abbott's Kaletra, and Sanofi-Aventis' Plavix, a cardiovascular drug.

The military regime relies on a section of the Thai Patent Act (Section 51) which no government has invoked before. It argues that in a period of emergency the government can produce patented drugs or drugs for non-commercial use, under terms and conditions which the government itself unilaterally sets. Supporters of the recent compulsory licensing actions have argued that such licences are often used internationally, even in the US and EU, but although this is the case for some forms of compulsory licence, it is not true of government usage. Internationally, compulsory licences are a judicial remedy in court cases involving breaches of law or disputes between trading competitors. They are also common among inventors of new technologies who may require the license of an existing technology to develop the new invention. Government use of

compulsory licences is seen as a more draconian action because it results in far greater losses for the patent owner. According to the government, negotiations with the pharmaceutical companies were inconclusive and the only solution was to sign these three compulsory licences. Its decision is linked to the fact that HIV and heart disease are the second and third biggest causes of death in Thailand.

The major dispute between the Ministry of Public Health and the pharmaceutical companies is that the government intends to import cheaper generic forms of the drugs from Indian companies. The Ministry of Public Health recently refused to consider Abbott Laboratories' proposal to reduce the price of Kaletra, a proposal which the Brazilian government has accepted. The Thai government has set up a subcommittee on compulsory licensing to consider a group of around 30

would do more to suppress violation of IP law. It is consulting government agencies, NGOs, and representatives of the private-sector. The DIP is analyzing the relationship between anti-competition law and IP rights.

### **Curtailling the sale of counterfeit drugs**

In contrast to the Ministry of Public Health's implementation of compulsory licensing, the Ministry of Commerce upholds the IP rights of the pharmaceutical industry, in cooperation with the DIP. In August the DIP convened a series of meetings with the Royal Thai Police, the Department of Special Investigation, the Customs Department, the Department of Food and Drug Administration, and the Pharmaceutical Research and Manufacturers Association. This campaign aims to promote IP rights, sustainable national competitiveness, and respect for international law.

The group drafted a memorandum of understanding encouraging relevant parties in the pharmaceutical industry to cooperate in enforcing IP law. It is based on memoranda implemented by the government and IP owners in other industries like the clothing and entertainment industries. A new memo-

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essential drugs which may become subject to a compulsory licence but it has not officially named the drugs that will feature on the list. The situation between the Ministry of Public Health and the pharmaceutical companies remains unsettled.

### **Thai relations with the US**

The issue of the licences may have had an impact on Thailand's relationship with the US government, despite US denial that this is the case. For five years, Thailand had been on the Watch List according to the 301 Report; this year it was reclassified to the Priority Watch List. On April 30 2007 the Office of the United States Trade Representative again included Thailand in their list of countries that do not respect IP rights, saying that the international community had discussed the decision. The Office of the United States Trade Representative criticized Thailand's lack of control over the sale of visual media. It also pointed to the piracy of books, DVDs, footwear, software, and clothing, and drew attention to the inadequate sentences of criminals. This action, however, has been viewed as a punishment for Thailand's announcement of compulsory licences for the aids drugs efavirenz and Kaletra and the heart drug Plavix.

After this, the Thai government declared that it

randum is required to cover illicit drugs because they fall into their own particular category.

The meeting to review the first draft of the memorandum took place on August 7 2007. Like the memoranda signed by government authorities and IP owners in other industries, this paper calls for more cooperation between the government and the private sector in enforcing IP laws, with the aim of curtailling the sale of illicit drugs in Thailand. The subjects covered in this memorandum will include counterfeit drugs as defined under Drug Act BE 2510 (1967), drugs with counterfeit trademarks or copied trademarks under Trademark Act BE 2534 (1991), amended by Trademark Act (No 2) BE 2543 (2000), and drugs violating patent under Patent Act BE 2522 (1979), amended by Patent Act (No 2) BE 2535 (1992) and Patent Act (No 3) BE 2542 (1999). Unlike the old memorandum which did not mention action against patented drugs, the pending draft incorporates not only counterfeit drugs with counterfeit trade marks, but also counterfeit drugs with no brands (generic), or renamed brands, if the genuine brands are protected by patent. This is a positive step for patent holders and it is also crucial for safeguarding public health.

In exchange for governmental assistance, members of the Pharmaceutical Research and Manufacturers Association must appoint a delegate who will process

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cases quickly when a government officer informs him of the manufacture, import or export of counterfeit drugs. The examination of patent infringement is time consuming and talks are continuing, to determine a reasonable timeframe for such assessments.

The pharmaceutical industry will cooperate with investigations when complaints are made, process cases quickly, and provide supporting evidence to government officers. In addition it must help the government educate the general public about the dangers of counterfeit drug use and support preliminary inspection methods for counterfeit drugs. The campaign against counterfeit drugs is expected to end in September 2007. One particular benefit of this memorandum will be that customs authorities can act against medicines which infringe the Patent Act, a loophole in Customs Law which the previous memorandum between the Customs Authority and the private sector omitted.

### Computer-related crime

After many years of negotiation, the government introduced the Computer-Related Crime Act in July 2007 to counter cyber crime. The adoption of this law touches on many controversies both in Thailand and internationally. Supporters argue that the Act will have a positive impact on internet users, protecting online privacy and ensuring internet security. Because it creates a cyber-environment that is more favorable to business the act also protects e-commerce and national security. The offenses covered by the Act include hack-

ing, unlawfully accessing computers or network resources, and the unauthorized interception of e-mails or data with the intention of committing theft or harming others. Additionally, the Act permits law enforcement agencies to

pursue international criminals. It authorizes police officers and government inspectors to seize computers on private property if they suspect that they contain pornographic information or evidence of criminal activity or cyber crime. The Act's opponents say that excessive control by the authorities will put the freedom, and privacy of the individual at risk.

### The future

Beyond these events, foreigners who want to invest in Thailand await the end of the uncertain political situation. If the government maintains such incoherent and disjointed IP policies, Thailand may experience a decrease in investment from foreign companies.

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#### Clemence GAUTIER



Clemence Gautier joined Tilleke & Gibbins' IP department in June 2007 as a consultant. She completed a bachelor of law and obtained a masters in business law with honours at the Institut Universitaire Professionnalise in France. She then attended the University of Rennes where she completed a masters of law focusing on international business law. During her education, she held internships at Juridica - AXA Group and Societe Nationale de Distribution in Paris, where she was responsible for drafting international agreements. In 2006, she worked in Bangkok for Vidon & Partners (Asia) studying the Asian trade in counterfeit medicines and helping to organize seminars and presentations. Before joining Tilleke & Gibbins, Gautier was assistant to the board at the Association Comité de Solidarité Franco-Thai.