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New laws bring expanded rights and additional obligations

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Thailand

New laws bring expanded rights and additional obligations

Thailand's IP laws have come under increased scrutiny as the country pushes to overcome its long-held reputation as a haven for counterfeiting and piracy. Efforts to transform this perception – and the underlying reality – have taken two forms. First, increased enforcement, led by government officials and committed IP owners, is having a meaningful impact on the market. Second, there is a noteworthy trend among both policymakers and the judiciary to modernise existing laws and practices. New statutes are being implemented and existing legislation is being amended to help Thailand cope with the current challenges and integrate more fully into the broader framework of international IP law. Taken together, these legal and practical changes offer appealing options and expanded rights to IP owners, while also imposing certain new obligations of which boardroom-level executives must be aware. This chapter highlights some of the key changes that are underway.

New legislation

Product liability legislation

The Unsafe Goods Liability Act 2008, known as the Product Liability Act, came into force in February 2009. The act was designed to protect consumers who incur damage from defective or dangerous products by imposing strict liability on business operators involved in the manufacture and/or sale of products. Under the new law, the operator will be held liable regardless of whether it was negligent in making or selling the product.

The act addresses three specific types of product defect: manufacturing defects, design defects and warning defects (or failure to warn). Under the act's strict liability rule, an injured party need only prove that he or she was injured or suffered damage from the defective product while using the product in the way it was intended to be used – there is no need to prove fault or negligence. Moreover, product liability cannot be waived or limited by way of contract or by any waiver

or limitation of a liability statement given by an operator. If the court finds an operator liable, the scope of damages available to the injured party is broader than that available under traditional tort or contract theories. For example, the court has the discretion to award punitive damages and compensation for mental anguish if required conditions are met.

While the act introduces a strict liability standard, it also provides several defences for a defendant operator. For instance, an operator will not be liable if it can prove that:

- the product was not defective;
- the injured party was already aware that the product was defective but used it anyway; or
- the damage was due to improper use or storage of the product.

The act also provides defences for suppliers of custom-made products and component manufacturers if they can show that the defect was due to the final product's specifications or design as provided to them by an outsourcer or a manufacturer of a finished product.

Putting in place new measures to minimise the risk of liability and avoid unnecessary lawsuits – and the substantial associated costs – should be a top priority for all companies. This can be accomplished by evaluating and reviewing quality control processes, product designs and warning labels provided with the products. It will also be useful to discuss potential liability with partners in the supply chain to find ways to work together to reduce product liability risks.

Computer Crime Act

Like the product liability law, the Computer Crime Act, effective since July 2007, sets out important new obligations for companies operating in Thailand. The act not only deals with criminal matters, such as computer hacking and anonymous spam mail, but also introduces data retention requirements for service providers.

The definition of ‘service providers’ appears intended to apply to operators that offer internet or email services to the public at large and also includes services rendered by an operator to its own staff. As a result, all entities within Thailand offering internet access, computer communication or data storage to their staff fall within the act’s data retention requirements. This means that nearly any party that uses a computer is required to log all data traffic and maintain personal data identifying users for 90 days or risk a criminal fine of up to Bt500,000 (\$14,680).

It is also noteworthy that the act applies extraterritorially to any Thai or non-Thai citizen who operates outside of Thailand but whose conduct impacts on either the Thai government or any person within Thailand. By implication, therefore, even foreign operators that are subject to the act by virtue of the extraterritorial application are equally liable to its expansive data retention requirement.

Upcoming legislative amendments

Trademark issues

Potential amendments to Thailand’s Trademark Act are under consideration. Key revisions would include smell and sound marks within the definition of a ‘mark’, and shortening the length of the examination processes – for example, by reducing the allowed response period for office actions and appeal petitions against the registrar’s order. Also, the publication period for opposition purposes may be shortened from 90 to 60 days, although 60-day extensions may be permissible with an accompanying official fee.

While the current Trademark Act requires all registered associated marks to be transferred as a group, the proposed amendment would allow for some associated marks to be selected for separate transfer, with a restriction on the method or scope of use of such marks or other conditions that the registrar deems appropriate. This amendment shows an awareness of real business practices, as it will allow trademark owners to transfer ownership of a mark for some, but not all, product lines to a third party.

Other notable proposed amendments that will be helpful to IP owners include the following:

- A grace period of 180 days to renew a mark’s registration after the expiration date will be introduced.
- The exportation of products bearing a forged trademark, certification mark or collective mark will become a criminal offence.
- The creation of packaging intended to contain goods bearing a forged or imitated trademark, service mark,

certification mark or collective mark to mislead the public as to the origin of the goods will be punishable as prescribed in the relevant sections.

Patent procedures

Proposals for amending the Patent Act have been under discussion for more than three years. The primary issue driving the reforms is the common complaint among IP owners that the examination system for patent applications simply takes too long. To deal with this, procedures that may prolong the granting of patents are being eliminated, which should allow companies to protect their inventions and designs more quickly.

The most significant proposed amendments are as follows:

- The period for requesting substantive examination will be reduced from five years to three years from the publication date.
- Patent applications will be published twice – first, after the formality examination is completed and second, after the substantive examination is completed and the patent has been granted. This will eliminate the need for an opposition period, as the new procedure will open the patent for invalidation within six months of the second publication. In addition, a trial committee consisting of a registrar, a legal expert and a technical expert in the relevant fields will be established and will have the authority to consider the invalidity petition and submit its report to the director general of the Department of Intellectual Property.
- The substantive examination for a design patent application will be eliminated. Design patent applications will be examined for formality only, after which the design patent will be granted and published for invalidation. The opposition period of 90 days from the publication date will also be replaced by a system for invalidation of design patents, which must be filed within six months of the publication date.
- The substantive examination will be conducted for design patent and petty patent applications after grant. Therefore, the amendments will require that design and petty patentees request the substantive examination before exercising their patent right against a third party, including taking legal action against infringement.

Counterfeiting and piracy challenges

Proposed amendments to the Copyright and Trademark Acts demonstrate a further attempt to address counterfeiting and piracy, making it an offence for any

person to buy counterfeit and pirated products or for a landlord to provide rental of commercial spaces or land for the sale of counterfeit goods and pirated products. It is hoped that these amendments, which have now been submitted by the Department of Intellectual Property to the Council of State, will assist IP owners by increasing awareness among Thais that counterfeiting and piracy are crimes, and thus discourage them from supporting businesses that sell counterfeit goods and pirated products. The ability to hold landlords directly responsible for counterfeiting activities that take place on their premises will also introduce an important new avenue through which IP owners can enforce their rights.

Border measures

The current Customs Act, although regularly amended, has been in effect since 1926, which means that Thai Customs has been relying on this statute for 83 years. To improve procedures and deal effectively with the current situation faced by customs officials, a new Customs Act is now being drafted. The bill clearly defines 'IP-infringing goods' and no longer relies on the vague designation of 'prohibited goods', as stated in the current legislation. These goods include:

- goods that infringe other parties' registered trademarks, both inside and outside of Thailand;
- copyright-infringing goods; and
- goods that infringe other IP rights for which the law provides such protection.

The draft allows Customs to inspect and search a vessel's goods for up to 72 hours without the need for a warrant if the officers suspect that the goods infringe IP rights. According to the bill, the penalty for importing and exporting IP-infringing goods is imprisonment for a period not exceeding 10 years or a fine equal to five times the duty-paid value of the goods, or both.

If this draft is implemented, it is expected that the procedures for taking action against IP-infringing products will become smoother and clearer, and arguments about what can and cannot be seized will cease. The new Customs Act will also help to clarify the scope of actions that can be taken to suppress fakes in Thailand.

International conventions

Steps have been taken by the legislature to join the following international conventions:

- Paris Convention – on August 2 2008, Thailand became a member of the Paris Convention.
- Patent Cooperation Treaty – on September 24 2009,

Thailand deposited its instruments of accession to the Patent Cooperation Treaty with the World Intellectual Property Organisation. As a result, the Patent Cooperation Treaty will enter into force in Thailand on December 24 2009.

- Madrid Agreement – Thailand is in the process of reviewing the effect of becoming a member of Madrid Agreement, with the tentative objective of joining by 2015.

The adoption of these conventions clearly signals that Thailand is becoming more fully integrated into the international framework of IP law, which will allow IP owners to exercise their rights more broadly and thus more efficiently.

Supreme Court rulings

Extension of the scope of protection for a patented invention

In March 2008 the Supreme Court rendered its judgment to affirm the Intellectual Property and International Trade Court's decision regarding the infringement of a US company's patented poultry-feeding machine.

This is a particularly important case because when it was initiated in 2003, the court granted an extremely rare request. The plaintiff was successful in its unique strategy of seeking both an Anton Piller order and a preliminary injunction at the same time, before filing the complaint with the court. As a result, the court issued a writ of seizure to detain the infringing feeder, even before the trial began.

In addition to the important issue of the Anton Piller order, the doctrine of equivalents was raised in the proceeding. The Supreme Court ruled in favour of the plaintiff by applying Section 36bis of the Patent Act to confirm that the defendants had infringed the plaintiff's rights in the patented feeder. This represented an application of the doctrine of equivalents, which protects an invention even if the infringing device is not literally within the scope of claims, but is merely equivalent to the claims of the patent. Section 36bis provides not only that the scope of the patentee's rights is determined by the claims specifically stated, but also that the scope of the claimed invention covers the characteristics of the invented product, for instance, functions of the invention. Based on the interpretation of this section, the Supreme Court compared the defendants' product with the plaintiff's patented invention and found that the main structure, process of use and functions of the defendants' feeder were the same as the plaintiff's. The Supreme Court therefore

affirmed the Intellectual Property and International Trade Court's decision, ordering that the defendants cease infringing upon the plaintiff's patented poultry-feeding machine.

By applying the doctrine of equivalents and granting the Anton Piller order, the Supreme Court demonstrated a willingness not only to extend the scope of protection for a patented invention, but also to enforce the extended rights in a meaningful way. IP owners that have previously faced difficulty in enforcing patent rights through litigation will surely be encouraged by these developments.

Registration of trademark licensing agreement

In Thailand, licence agreements for the use of registered trademarks or service marks for any or all goods or services must be registered with the Department of Intellectual Property. Unfortunately, in practice, the need to register is often ignored when the licensing transaction reaches closure. This situation frequently occurs in both domestic and transnational transactions, resulting in the question of whether the unregistered licence agreement is enforceable.

The Supreme Court recently issued a ruling on an aspect of trademark licensing agreements which has

rarely been discussed: the Supreme Court held that the registration of licensing agreements is a formality requirement under the Trademark Act. Therefore, failure to comply with this requirement will result in the invalidity of the licensing agreement.

Conclusion

The new legislation, proposed legislative amendments and recent Supreme Court decisions discussed above are sure to impact on IP owners, as they both offer new rights and impose new obligations. The product liability and computer crime laws require significant attention to compliance issues on the part of companies operating locally, as does the Supreme Court decision invalidating unregistered trademark licensing agreements. Inattention to these issues at boardroom level could result in serious – and costly – consequences. In parallel, if the pending bills are passed in their current forms, IP owners will gain a variety of new enforcement options both in the market and at the borders, while also enjoying streamlined registration processes to establish and strengthen their rights. For this reason, IP owners will be keenly monitoring further amendments to the pending bills as they continue through the legislative process.



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