

Informed Counsel

Analysis of Recent Legal Developments in Thailand and Vietnam



c o n t e n t s

- 1 Tobacco Consumption Control Act
In the wake of Australia's plain packaging measures for tobacco products, Thailand is set to introduce new regulations that threaten intellectual property rights.
- 3 Copyright on the Catwalk
The Thai Supreme Court has rendered an important decision clarifying performers' rights under the Copyright Act.
- 4 Draft Amendments to Copyright Act
Amendments to the Copyright Act, which are now being considered by Parliament, are aimed at dealing with the copyright challenges of the digital age.
- 5 IP Training in Laos and Cambodia
Tilleke & Gibbins and leading brand owners have organized major intellectual property enforcement training sessions for government officials in Laos and Cambodia.
- 6 Food Health Claims
In the absence of regional harmonization, food manufacturers in ASEAN are faced with a complex web of regulations governing health claims for their products.
- 8 Employment Noncompetition
Noncompetition provisions can offer important protections, but employers need to ensure that they will be enforceable under Thai law.
- 9 Due Diligence for Property Buyers
When acquiring property, it is essential for a buyer to perform thorough due diligence on the seller's rights and the land itself.
- 10 Import and Export Rights for Foreign Traders
Vietnam has introduced new regulations detailing the registration of import and export rights for foreign traders who do not have a presence in the country.
- 11 Anti-Spam Regulations in Vietnam
A new decree on spam in Vietnam widens the scope of prohibited acts and gives enforcement authorities a clearer legal basis to penalize spamming.
- 12 Tilleke & Gibbins Updates
Tilleke & Gibbins has been shortlisted for four awards at the Asia Women in Business Law Awards, and the firm has joined Thailand's Collective Action Coalition Against Corruption.

Thailand's Draft Tobacco Consumption Control Act: Plain Packaging and Beyond



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Australia will soon be the first nation to require all tobacco products to be sold in plain packaging. From December 1, 2012, tobacco packaging will be standardized for all manufacturers; photographic health warnings will occupy 75% of the front and 90% of the back of the packaging, and product names will appear in a uniform font in the remainder of the pack, which itself must be colored olive green. No famous logos, other branding, trademarks, or colors can be applied. The plain packaging laws are just one of several measures that are intended to reduce smoking, in line with Australia's "healthiest nation" ambition, by 2020. Other measures include a 25% tax increase and reductions in duty-free allowances.

The justification given by the Australian government is that tobacco branding leads to an uptake in smokers and reinforces their commitment to smoking itself. The counterargument is that branding is simply about differentiating the brands, and brand loyalty must not be confused with any addictive nature of the product. There is therefore an issue over whether plain packaging rules are justifiably bundled together with the more usual measures designed to discourage smoking, such as health warnings and photos, tax increases, and tightening of duty-free allowances.

Thailand already has some of the strictest tobacco regulations in the world. For example, all packs include graphic health warnings that cover 55% of the front and back of the pack, smoking is banned in most places, and tobacco products are not allowed to be advertised or marketed at all. In the wake of Australia's legislation, it seems that Thailand's Ministry of Public Health may also be considering introducing plain packaging. A current draft Tobacco Consumption Control Act is set to introduce more restrictions, including the government dictating the design of tobacco product packaging and facilitating the introduction of plain packaging here in Thailand. There are certain advertising and marketing restrictions which will impinge on trademark rights, primarily draft Article 40, which would be the instrument through which the plain packaging requirement is introduced once further Ministerial Regulations are enacted by the Ministry of Public Health dictating how tobacco products are to be packaged. Giving wide-ranging power to the Ministry, draft Article 40 states that the package must "have the size, color, symbol, label including the character of the displaying of trademark, symbol, picture, and message in compliance with the criteria as notified by the Ministry of Public Health."

However, it is draft Article 31 which will likely be the most troubling for trademark owners, as it serves as a broad-reaching prohibition of advertising which goes beyond the existing language prohibiting display of the name or trademark of tobacco products. The new language prohibits use of the importer's or manufacturer's name or trademark and includes a ban on all "advertising or marketing communications."

Additionally, draft Article 32 goes even further by prohibiting the display of tobacco product names or trademarks or tobacco product importer or manufacturer names or trademarks on *any other products*. Ostensibly, this would mean that, if a mark is used for tobacco products or if a trademark is registered in International Class 34 for tobacco products or smokers' articles, then that mark or trademark cannot be used on *any products* and the sale of any such products is banned.

Continued on page 2

As this debate pushes ahead, there are some important legal and practical issues that need to be given full consideration.

Constitutional Issues

Due to the lack of regulatory impact assessments evidencing any correlation between use of trademarks on tobacco and social problems of smoking, such a ban would not be proportional under the Constitution. The Constitution protects property and grants people the liberties to engage in an enterprise or an occupation and to undertake fair and free competition.

Section 41 of the Constitution of the Kingdom of Thailand B.E. 2550 (2007) provides that the “property right of a person is protected.” Section 86 specifically refers to intellectual property as being protected by the Constitution, as follows:

Section 86

The State shall pursue directive principles of State policies in relation to science, *intellectual property* and energy, as follows: . . .

(2) to promote inventions or discoveries leading to new knowledge, preserve and develop local knowledge and Thai wisdom and *protect intellectual property*; . . . (emphasis added)

Section 43 carries on with the fundamental principles by guaranteeing that a person shall enjoy the liberties to engage in an enterprise or an occupation and to undertake a fair and free competition. When Thai laws and regulations are enacted which prevent a trademark owner from using its valuable trademarks and/or which dictate how a Thai business may market or advertise its goods and services, this tends to impinge on Section 29 of the Constitution, the so-called “proportionality principle” that the public damage exceeds the benefits gained, which holds that:

Section 29

The restriction of such rights and liberties as recognized by the Constitution shall not be imposed on a person except by virtue of the law specifically enacted for the purpose determined by this Constitution and only to the extent of necessity and provided that it shall not affect the essential substances of such rights and liberties.

Trademark – Rights to Use and Value

Trademarks provide substantial benefits to their owners in terms of asset value, licensing value, assignment value, and overall goodwill. Importantly, trademarks differentiate the goods of one business from the goods of others, thereby conferring an important valuable benefit to Thai consumers by enabling them to differentiate goods from one company versus another. Just because a good is a controversial product, it does not mean that the important trademark function of indicating quality of a product should not still be afforded to both the public and the trademark owner.

By registering a trademark, the trademark owner has obtained the exclusive rights to use and license the use of the trademark in Thailand. The Thai Trademark Act sets out the trademark owner’s right to use the trademark:

Section 44

. . . a person who is registered as the owner of a trademark shall have the exclusive right to use it for the goods for which it is registered.

A ban on use of trademarks on tobacco products would serve to disallow trademark owners’ use of their trademarks and put those trademarks at risk of being cancelled for non-use.

Indeed, as Thailand prepares for accession to the Madrid Protocol system for the international registration of trademarks (currently planned for mid to late 2013), Thai companies may choose to use this new international trademark application system as their businesses grow and expand into new overseas markets. However, if their original Thailand trademark is cancelled for any reason, including for non-use, then this will amount to a “central attack” and their equivalent trademarks in those other countries will be cancelled as well.

Thailand’s International Obligations Under WTO Treaties

In addition to the protection that valuable trademarks belonging to a business enjoy under Thai law, they are also protected under international treaties, including the World Trade Organization (WTO) Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS). Thai laws and regulations controlling the use of trademarks would bring into question Thailand’s obligations under various articles of TRIPS, including Article 20 which prohibits unjustifiable encumbrances on the use of a trademark in the course of trade.

Australia is currently dealing with the consequences of enacting plain packaging in the WTO, as three countries have formally requested WTO consultations with Australia regarding its plain packaging measure. In fact, on September 28, 2012, the WTO Dispute Settlement Body agreed to establish a panel to hear Ukraine’s complaint against the plain packaging measures taken by Australia. Loss of the WTO cases and other pending related international cases could result in annulment of the Australian law. Of course, Thailand has also been down this road before when the Ministry of Public Health proposed putting graphic health warnings on alcohol beverages and a number of countries questioned the proposal in the WTO as well.

Trademarks Help Fight Against Counterfeit Goods

Since 2007, Thailand has been placed on the USTR’s Priority Watch List for the world’s most notorious intellectual property violators. Trademark-infringing products are easily seen around the country today.

Identifying counterfeit, smuggled, or other illicitly traded tobacco products will become extremely difficult as plain packaging will remove common product markings and key identifying features—Customs will not be able to easily tell a counterfeit from a genuine product. This will also likely increase the ease of infringers to copy such products, which in turn will increase the trade in unlawful products. This will cause confusion in the consumer’s mind about which products are genuine and which are not. It will also have a social impact, as an increase in low-quality counterfeits actually means an increase in health risk to the consumer, not to mention the lost tax income to the government from an increase in counterfeits, for which no tax is paid.

A Pragmatic Approach

Overall, Thailand needs to take a pragmatic and practical approach to this issue, rather than simply following one country’s extreme lead or taking directions from ill-informed NGOs. Thai authorities will need to ensure any measures they introduce do not end up infringing on the Thai people’s constitutional rights, undermining intellectual property protection in Thailand, violating the country’s international trade obligations, or unexpectedly resulting in increased levels of smuggling and counterfeiting of tobacco products into the Kingdom. 