

Regulatory Impingement of Intellectual Property Rights in Thailand

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There have recently been a number of troubling developments in tobacco and alcohol legislation and regulation in Thailand that encroach upon intellectual property (IP) rights. Other highly regulated products, such as cosmetics, food products, and drugs, are also feeling a regulatory pinch. These regulations have impinged legitimately granted IP rights and to a greater extent, rights to property, to engage in competition, and to free speech.

To assess the extent of regulatory impingement of IP rights in Thailand, it is essential to analyze the current situation with respect to certain industries. Within that context, an overview of relief options is also presented.

THE CURRENT STATE OF IP RIGHTS IMPINGEMENT IN THAILAND

Tobacco

Thailand already has some of the most stringent tobacco regulations in the world. For example, all packs of tobacco must include graphic health warnings that cover 85% of the exterior packaging (a requirement that was introduced in 2014), smoking is banned in most places, and the advertising of tobacco products is prohibited. Furthermore, Thailand's Ministry of Public Health (MoPH) may adopt Australia's recent plain packaging initiative.

In 2010, a draft Tobacco Consumption Control Act was introduced in Thailand that aimed to implement more restrictions on activities essential to any business involved in the tobacco industry, including pricing strategies, precluding

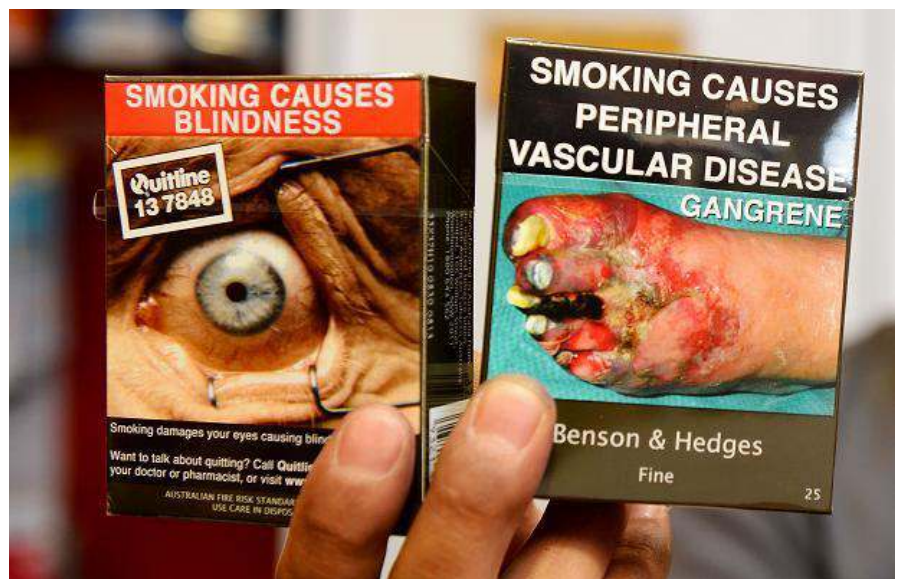


Illustration of Australia's plain packaging requirement for tobacco products

extension of trademarks to non-tobacco goods and services, and deciding the design of product packaging (without the involvement of tobacco businesses or the Department of Intellectual Property (DIP)).

Draft Article 40 of the Act provided additional restrictions on advertising and was also an instrument through which plain packaging initiatives could be introduced. Specifically, the MoPH would acquire wide-ranging powers to make decisions on packaging designs having "a size, color, symbol, label, including the character of the displaying of trademark, symbol, picture, and message, that are in compliance with the criteria as notified by the [MoPH]."

Draft Article 31, however, was particularly troubling, as it served as a far-reaching prohibition on advertising that went beyond the existing regulations.

The new language sought to prohibit the use of importer's/exporter's names or trademarks and included a ban on all "advertising or marketing communications."

Additionally, draft Article 32 went 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. Therefore, if a mark were to be used for tobacco products or if a trademark was registered in International Class 34, then that mark or trademark could not be used on any other product, and the sale of any such product would thus be restricted.

In August 2013, various interested parties obtained a preliminary injunction against the MoPH's proposed Notification requiring an increase in graphic health warnings on tobacco products. The injunction



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held for ten months before being overturned. A complaint remains at the Central Administrative Court.

On November 24, 2014, the MoPH signed a slightly revised draft law, retitled the Tobacco Products Control Act, which was submitted to the Cabinet Secretary shortly thereafter. That draft is currently circulating around the various Ministries for comment. The new Act is largely identical to its 2010 predecessor, save for a slight addition to draft Section 37, which now contains the ominous statement, “the law on intellectual property shall not apply to the display of the Package under this Section.”

This should make for an interesting dialogue between the Ministry of Commerce, where the DIP sits, and the MoPH.

Alcohol

In Thailand, the advertising, marketing, sale, labeling, and packaging of alcoholic beverages is governed by the Alcoholic Beverage Control Act 2008.

In 2010, the MoPH published a draft notification requiring alcohol labels and packages to display graphic health warnings covering between 30-50% of the label or package. The World Trade Organization (WTO) Technical Barriers to Trade Committee was notified of the draft measure, and a number of countries raised objections and/or comments to the proposal.

In January 2014, the MoPH announced a draft notification prohibiting the use of various types of messages on alcoholic beverage labels and packages, including any message “which misleads consumers on the content of products,” and any message “using the picture of a cartoon.”

In August 2014, a revised draft notification was issued—essentially a hybrid of the earlier two.

On December 24, 2014, the MoPH signed a final version of the Notification in which the graphic health warning provisions had been deleted, but included revised versions of the labeling restrictions, including prohibitions on “a message which materially misleads consumers about the content of products” and “a message using cartoon images, except images which are trademarks of alcoholic beverages which have been legitimately registered prior to enforcement of this Notification.” Here, it should be noted that the Trademark Act does recognize unregistered marks, so again, there is an attempt by the MoPH to override existing Thai trademark law which, like international trademark law, fully recognizes unregistered trademarks.

Unless successfully challenged, the Notification comes into force 90 days after its publication in the Government Gazette.

Other Industries

The introduction of specific regulations in the cosmetic, food products, medical devices, and pediatric nutrition industries has undermined rights associated with trademarks. For instance, words such as BIO, NANO, or 24K, which are commonly registered as trademarks, cannot be used in connection with cosmetic products and words such as “slim,” “lean,” “white,” or images depicting thinness or intelligence are prohibited on food unless it is proven that such characteristics or ingredients exist in the product formula.

Although both the DIP and the Food and Drug Administration share the common

objective of preventing consumers from being misled, the DIP focuses on whether the trademark is distinctive and identifies the source of the goods or services, whereas the Food and Drug Administration focuses on the intent behind the product name. There is currently no linkage between these two agencies, unlike in many other nations.

POSSIBLE NATIONAL GROUNDS FOR CHALLENGING REGULATORY IMPINGEMENT OF IP

Constitutional Issues

The 2007 Constitution protects property and grants people the liberties to engage in enterprise and to undertake fair and free competition through Section 43. The current interim constitution, adopted last year, does not contain an analogous provision covering these principles. However, according to Sections 4 and 5 of the interim constitution, these rights must be protected as long as they are not inconsistent with the interim constitution.

Sections 41 and 86 of the 2007 Constitution provides protection for individual property and intellectual property respectively.

Thai laws and regulations that prevent the full enjoyment of trademark rights may conflict with Section 29, as it imposes the requirements of necessity and proportionality on the restrictions flowing from the impinging regulation.

Administrative Court

Encroaching legislation can be challenged locally in Thailand by filing a complaint in the Administrative Court on such grounds as:

- the issuance of the impinging regulation amounts to an ultra vires act;
- incompatibility with national trademark law, constitutional rights, and international treaty provisions;
- failure to follow due process, including consultation and regulatory impact assessment; and
- the act or rule is unnecessary and disproportionate.

Continued promulgation of rules and regulations that defeat IP would question Thailand's obligations under various international treaties, including the World Trade Organization Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS).

Trademark Arguments – Value and a Right to Use

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 registering a trademark, a trademark owner has obtained the exclusive and positive rights to use and license the use of the trademark in Thailand as per Section 44 of the Trademark Act.

As in any country, trademark owners face a risk that their trademarks may be cancelled if they are not used for a prescribed period of time (in Thailand, this is three years). Therefore, if a trademark is declared unusable on a good or service by way of a regulatory rule, then after

three years of such inability to use, it can be stricken from the Trademark Registry, leaving it vulnerable to being re-registered by a bad faith third party or leaving it open to use by counterfeiters, leaving the former owner without any means of stopping this.

CHALLENGING IMPINGING REGULATIONS UNDER TRADE AGREEMENTS

Continued promulgation of rules and regulations that defeat IP would question Thailand's obligations under various international treaties, including the World Trade Organization Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS). Specifically, Article 20 prohibits unjustifiable encumbrances on the use of a trademark in the course of trade.

Currently, Thailand is not a party to Trans-Pacific Partnership (TPP) negotia-

tions. If Thailand joins this trade pact in the future, the Investor-State Dispute Settlement (ISDS) provisions, which are believed to be set out in the TPP Investment Chapter, could be invoked by IP owners who see their rights encroached upon by authorities as a means to challenge impinging regulations.

Approach

Thai authorities need to ensure that any regulatory measures introduced do not infringe upon constitutional rights, undermine IP protection, or violate international trade obligations. It will be an interesting period of time to observe whether any further regulatory encroachments will be approved by the government and, if so, what legal challenges IP owners may be able to make against these. ■

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