

# Anti-Counterfeiting Campaigns: Strategies for Thailand

---

By: [Edward J. Kelly, Esq.](#) and [David Lyman Esq.](#)

Tilleke & Gibbins International Ltd.

October 2001

## I. Introduction: Thai Legal Remedies for Trademark Infringement

Thailand's government and police authorities are consistently under heavy pressure from multi-national companies owning registered trademarks because of a perceived lax attitude toward adequate protection of Intellectual Property Rights (IPRs). While the problem of trade in counterfeit goods is not unique only to Thailand, trademark owners are justified in their assessment that counterfeiting of trademarked products is indeed rampant in the jurisdiction.

The continued presence of a glut of counterfeit 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 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. Of special concern to the DIP is the United States Trade Representative (USTR) Special 301 Watch List, which has an obvious impact on Thailand's export oriented economy. Increasingly, counterfeiting activity is no longer seen as an "innocent" vice conducted by small-time traders. There is a recognition that counterfeiting of manufactured goods 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, 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 September 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.

As a timely example, the recent visit of Manchester United's football team to this soccer-infatuated nation was accompanied by an enormous output of fake Man U apparel that cost one-tenth the price of an original. Our intelligence was that up to twenty factories immediately began to manufacture fake shirts to meet domestic and foreign demand. We were disappointed to see very little action taken by the trademark owner to enforce its valuable mark.

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, the Penal Code and the Civil and Commercial Codes. Under this framework, there are essentially two alternatives to proceed to take legal action against an infringer: a criminal action and/or a civil action.

## **II. Criminal 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, which provides for allocation of fines imposed against copyright infringers, all fines imposed under a criminal trademark action escheat to the government. 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.

Another complementary remedy may be found in the Thai Penal Code Title VIII “Offences Relating to Trade.” For example, Section 272 of the Code states, as translated: *“Whoever (1) uses a name, figure, artificial mark or any wording in the carrying on trade of the other person, or causes the same to appear on goods packings, coverings, advertisements, price lists, business letters, or the like in order to make the public believe that it is the goods or trade of such other person . . . shall be punished with imprisonment not exceeding one year or fine not exceeding two thousand baht, or both. The offence under this section is a compoundable offence.”*

Section 274 of the Code states that *“Whoever imitates the registered trademark of the other person, whether it be registered within or outside of the Kingdom in order to make the public believe that it is the registered trademark of such other person shall be punished with imprisonment not exceeding one year or fine not exceeding two thousand baht, or both.”*

As stated in the Code, this remedy is available to owners of marks not registered within the Kingdom, but given the paltry amount of the fine, this is not seen to be an effective deterrent.

### **III. Civil Action**

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.

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

#### **IV. Traditional Suppression Efforts**

Traditionally, trademark owners have directed their anti-counterfeiting 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, all under the authority of the Thai Trademark Act. These efforts by many trademark owners over the last decade has had some measurable impact on the production, trade and export of a wide variety of counterfeit products. However, there is a great deal of room for improvement.

In the present environment, it easy to recognize that even countries with very stringent anti-counterfeiting laws have not been successful in stopping the production and trade of fake products. It is as easy, for example, to buy a fake Rolex watch on the streets of any major metropolitan area in the U.S. or Europe as it is on the streets of Bangkok.

#### **V. Supplemental or Complementary Options Available**

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. These laws, set forth below, are enforced by a multitude of agencies in addition to the police. The enforcement of these other laws is far more popular with the government and the general populace because violations are considered public crimes as opposed to the supposed “victimless” private crimes against only trademark owners. If action through these other government agencies can complement or supplement claims based on intellectual property violations, then the objective of keeping counterfeit products out of the market may be brought closer within reach.

Any outline of a possible action plan should include as its realistic objectives a marked slowdown of the domestic production and sales, export and import in international trade of counterfeit products and components. 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.

Trademark owners with little familiarity of the Thai market should be aware of areas with large amounts of counterfeit 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.

Any effective action plan should consider retainer of public relations firms with experience in counterfeiting suppression to create awareness of public and target groups. We find that targeted, i.e. selected, senior Thai government, parliamentary and police officials, when informed of potential public relations and suppression campaigns, are much more amenable to support of enforcement efforts.

We have also found that the trademark owners who establish direct “hot lines” with people who are willing to act, at various stations/agencies (Interpol, Customs Department, Internal Revenue Department, Excise Department, Labour Department, Immigration Division, Industrial Works Department, Environmental Agency, FDA, etc.) often achieve measurable results faster than those owners relying on only traditional watchdog agencies to monitor markets for counterfeits.

Culturally, it is important to involve an owner’s local Thai licensees, agents, distributors and dealers of protected/branded goods in any enforcement campaign. Local influence and connections could be useful in facilitating anti-counterfeiting actions. Furthermore, Thai people and Thai government officials are more likely to listen to the complaints of Thais than of foreigners.

When a particular raid action captures substantial quantities consideration should be given to the notification of the Revenue and Excise Departments for possible investigations and punitive actions on tax evasion by counterfeiters (VAT, corporate and personal income taxes, excise taxes, etc.).

Similarly, one might notify the Labour Department to check child and women labour conditions at any manufacturing or retail operation that is suspected of involvement in counterfeiting activity for legal compliance. One might also inform the Labour Department of

the possibility that foreigners, involved in the counterfeit business and the export of fake goods, may not have proper work permits.

A similar strategy to create the proper deterrent environment would involve tipping off the Immigration Department in respect to known foreigners involved in counterfeiting who are working in Thailand under inappropriate visa status.

Where infringing medicinal or pharmaceuticals are found, one should notify the Thai FDA and the Ministry of Public Health of the possible use of inappropriate/toxic dyes, chemicals etc. in the production of the counterfeit goods. One should also be vigilant for product labeling violations which would come under scrutiny by the FDA. In relation to this, there is also the possibility of notifying officials of violations of the Consumer Protection Act.

It is possible to notify the Ministries of Industry, Interior and Environment of factories operating without licenses under factory laws, and/or violations of labour laws, health and safety laws, environmental laws, etc. One can request the closure of these factories if violations are found during a raid action. Likewise, one can request the Fire Brigade and Building Inspectors to check the conditions, e.g. fire safety conditions, of counterfeiters' premises, especially the conditions in small old shophouses, and then press for the possible closure of these "factories".

If a trademark owner becomes aware of a shipment of counterfeit goods, he should use his right and 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 not be counterfeits. Customs officials will upon request dispose/destroy the seized goods accordingly. There are obvious impracticalities in this method of enforcement. A full discussion of Thai Border Control Measures for suppression of counterfeiting activities is submitted with this paper.

## **VI. Practical Realities: Constraints and Limitations Associated with Enforcement Efforts**

Generally, a trademark owner must be prepared to commit significant resources for any truly effective 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); 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.

Worth noting as well is the very real threat of physical violence by the counterfeiters or their fellow travelers to the personal safety of trademark owners, representatives, licensees, distributors, law firms and investigative personnel, police. The gravity of the danger increases with the success of suppression efforts.

## **Conclusion**

The good news is that as a result of petitions by trademark owners to their respective governments to review Thailand's eligibility for trade benefits, the present Thai Government Administration has rededicated its attention to the importance of IPRs in Thailand. On July 13, 2001, at the insistence of Prime Minister Thaksin Shinawatra, a formal meeting under the supervision of the Minister of the Interior was held and an action plan developed to address the legitimate concerns of IPR holders. As a result of the meeting, a permanent working committee was established with an express commitment to the suppression of intellectual property infringement. In the current political environment, it is advisable for trademark owners to cooperate with and assist the new government initiative by vigorously acting to defend and enforce their valuable marks against infringement.