

February 3, 2017

H.E. Prof. Pornpetch Wichitcholchai
President of the National Legislative Assembly of Thailand (NLA)
The Secretariat of the Senate
4 Thanon U-Thong Nai, Dusit,
Bangkok 10300

Dear Excellency,

The International Trademark Association (INTA) is a global organization of 6,000 trademark owners and professional firms from over 190 countries, including 20 members in Thailand and 265 members in the ASEAN region. INTA is a not-for-profit membership association dedicated to the support and advancement of trademarks and related intellectual property as elements of fair and effective commerce. The Association was founded in 1878 and today INTA leads the way in global trademark research, policy development, education and training. More details about INTA and its initiatives are available at www.inta.org.

We are pleased to have this opportunity to deliver our comments to the National Legislative Assembly (NLA) in relation to the draft Tobacco Products Control Act (the "Draft Act").

INTA commends the efforts of the Thai government to address public health concerns. Although we take no position on the particular health issues that are the focus of the Draft Act, we strongly believe that certain proposals in the Draft Act would amount to serious encroachments on the rights of trademark owners and would frustrate the ability of trademarks to function properly on behalf of consumers to help them to distinguish the nature and origin of products. Additionally, the proposed laws will make it easier to produce counterfeit products with poorly controlled health standards, increasing the risk of them flooding the market and aggravating public health concerns.

In particular, INTA is concerned with Articles 30,31,32 and 38 of the Draft Act, which we believe would deprive trademark owners of valuable property, and violate Thai trademark legislation and Thailand's international obligations. The Draft Act would also risk counter-productive results such as increasing the dangerous trade in counterfeit tobacco products.

The enclosed submission addresses these issues in detail. This submission was prepared by the Legislation and Regulation Committee of INTA, as well as members of INTA's policy staff. If you have any questions about the enclosed comments or INTA, please contact Mr. Seth Hays, External Relations Manager for Asia-Pacific at shays@inta.org.

Sincerely,

Etienne Sanz de Acedo
Chief Executive Officer
International Trademark Association

Enclosure

Comments by the International Trademark Association on the Thailand Tobacco Products Control Act Draft

I. Possible Plain Packaging Provisions

Article 38 of the Draft Act would allow the Minister of Public Health, with the advice of the National Tobacco Products Control Commission, to require plain packaging of tobacco products through ministerial regulations:

The manufacturer or importer of the Tobacco products shall arrange for the Package of the Tobacco products or Tobacco products to 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 Minister according to the suggestion of the Directing Commission before taking them out of the manufacturing site or before importation into the Kingdom as the case may be.

No person shall be allowed to sell the Tobacco products which are not in the Package of Tobacco products or do not display the trademark, symbol, picture and Message as prescribed in paragraph one.

According to statements made by the Ministry of Public Health on May 25, 2016, once the Draft Act enters into force, the Ministry would implement plain packaging.

II. Implications of the Draft Act for Trademarks

Should the Draft Act lead to the implementation of plain packaging, it would be destructive to intellectual property rights. Plain packaging would act as a specific prohibition against the use of trademarks on retail packaging, except in a format as may be regulated. The introduction of these measures would violate minimum obligations for the protection of intellectual property rights for tobacco manufacturers who are legitimate owners of registered trademarks.

Trademarks are registered for particular goods and services. Registered trademarks also take various forms, notably simple word marks, stylized words, and logos. Less commonly, there are also registrations for colors and shapes.

Plain packaging would deprive the trademark owner of its exclusive rights to use and authorize others to use all but simple word marks in a regulated manner. Given the existing ban on advertising tobacco products in Thailand, the trademark owner would have effectively no right to use its stylized word, logo, color, or shape trademarks. Because use is required to maintain a trademark, the proposed legislation effectively forces the trademark owner to relinquish its right in a very valuable asset.

The fact that the Ministry of Public Health proposes wide-ranging prohibitions on the use of tobacco product trademarks precludes any argument that tobacco manufacturers would be free to use their trademarks on goods other than tobacco packaging.

Trademarks, including logos, owned by tobacco companies are valuable assets. The ability to use the trademark as an indicator of origin for the goods and services for which it is registered is the key attribute of the trademark asset. Legislating to deny the right to use a valuable mark is akin to seizing that asset. It would eliminate millions of dollars of value from those assets and, over time, would leave them nearly worthless, thus depriving the trademark owners of their valuable property.

III. Violation of Thai Trademark Laws

Plain packaging would also violate Thai trademark laws by preventing trademark owners from freely using their trademarks. The right to use registered trademarks is fundamental and protected. Section 4 of the Trademark Act B.E.2534 (1991), and amendments thereof, which defines a trademark as “a *mark used* or proposed to be used.”

By registering a trademark, the trademark owner has obtained the exclusive right to use and license the use of the trademark in Thailand, as provided for in Section 44 of the Trademark Act. Should plain packaging be enacted by the Ministry of Public Health, it will prevent rights holders from using those marks which contain design, shape or color variations. A ban on the use of these trademarks on tobacco products violates this basic principle of trademark law and puts those trademarks at risk of being cancelled for non-use. For example, Section 63 of the Trademark Act allows for the cancellation of trademarks that are not used for a three-year period. We understand that Thailand's Ministry of Commerce also shares this concern and, through its letter to the Cabinet Secretary-General dated 12 Oct 2016, officially made an observation that Section 38 would violate the Trademark Act.

Indeed, as Thailand has acceded to the Madrid Protocol relating to the Madrid Agreement concerning the international registration of trademarks and has promulgated it through the Trademark Act (No.3) B.E.2559(2016), Thai companies may choose to use this 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, such cancellation will amount to a "central attack" and the trademarks in those other countries based on the Thai registration will be cancelled as well.

IV. Thailand's International Treaty Obligations

In addition to the protection that valuable trademarks enjoy under Thai trademark law, they are also protected under international treaties, to which Thailand is a party, including the World Trade Organization (WTO) Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) and the Paris Convention for the Protection of Industrial Property (Paris Convention).

Adopting plain packaging would violate Thailand's obligations under TRIPS. Article 15(4) of TRIPS provides that "*the nature of the goods to which a trademark is to be applied shall in no case form an obstacle to the registration of the mark.*" Furthermore, Article 20 of TRIPS provides that "*the use of a trademark ... shall not be unjustifiably encumbered by special requirements, such as ... use in the manner detrimental to its capability to distinguish goods and services.*" Plain packaging violates these provisions because no clear evidence exists to justify the encumbrances of plain packaging.

Thailand, as a member to the ASEAN Framework Agreement on Intellectual Property Cooperation, is also obligated to implement intellectual property arrangements in a manner in line with the objectives, principles, and norms set out in the relevant conventions and the TRIPS Agreement. Therefore, the same obligation as in Article 20 of the TRIPS Agreement is incorporated into the ASEAN Framework Agreement on Intellectual Property Cooperation. An analogous violation of that agreement would occur if plain packaging were to be imposed by Thailand.

Furthermore, Article 6 *quinquies* of the Paris Convention obligates Thailand, as a member of this Convention, to accept for filing and protection trademarks which are duly registered in other countries and prohibits Thailand from invalidating a registration subject only to limited reservations, none of which apply to tobacco trademarks.

For these reasons, the proposal for plain packaging could trigger challenges before the WTO. Australia currently faces challenges to its plain packaging law from three WTO members; a plain packaging law in Thailand could easily be subject to the same challenges. This concern is shared by the Thai Ministry of Commerce in its letter dated 12 Oct 2016 to the Cabinet Secretary-General. Similarly, the proposed plain packaging regulation, could subject Thailand to challenges under regional or bilateral trade and investment agreements.

V. Increased Risk of Counterfeit Goods

Plain packaging will pose serious challenges to anticounterfeiting efforts and will aid in the sale and distribution of fake tobacco products for the following reasons. First, plain packaging will facilitate the manufacture of counterfeit tobacco products. If genuine cigarettes are to have plain packaging, counterfeiters will not need to spend time and resources to copy the distinctive details of a company's trademark or its packaging. Consequently, it will make the manufacture of fakes easier, cheaper and more profitable for counterfeiters, thus increasing the supply of fakes in the market. This will have a

negative and direct impact on the public health because counterfeit cigarettes have often been found to be contaminated with extremely dangerous and unsanitary substances.

Second, plain packaging will aid in the sale of counterfeits. Trademarks help consumers differentiate and identify the origin of goods on the market. With plain packaging, consumers will be unable to differentiate not only legitimate brands from each other, but also be frustrated in their ability to distinguish legitimate tobacco products from counterfeit products. As the counterfeit market grows, the government will lose out on sorely needed revenues, and legitimate businesses will suffer as more people inadvertently choose illicit products.

Finally, plain packaging will pose a severe challenge to enforcement efforts against counterfeit tobacco products. Just as trademarks and product packaging are used by consumers to distinguish one brand from another, enforcement authorities, such as Customs and police, and trademark owners rely on the very same trademark and packaging to distinguish between real and counterfeit goods. Counterfeit products tend to be substandard with imperfect copies of the original trademark on the packaging or the product itself. Plain packaging will frustrate the ability of brand owners and enforcement officials to stop counterfeit products from entering legitimate channels of commerce.

VII. Conclusion

In light of the foregoing, INTA submits that the provisions in Sections 30, 31, 32 and 38 of the Draft Act would deprive trademark owners of valuable property, and violate the Thai trademark legislation and Thailand's international obligations. These provisions also risk counter-productive results such as increasing the dangerous trade in counterfeit tobacco products.

This draft law severely affects the trademark rights of those in the tobacco industry and plays into the hands of criminals by making it easier to counterfeit tobacco packaging. We would underline the practical difficulties that would be faced by Customs and other enforcement officers in identifying such counterfeits.