

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

### **I. Possible Plain Packaging Provisions**

Article 40 of the Draft Act would allow the Minister of Public Health, with the advice of the National Tobacco Consumption Control Policy Commission, to require plain packaging of tobacco products through ministerial decree:

*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 July 27, 2012, under plain packaging, tobacco manufacturers would be prohibited from using multiple valuable registered trademarks on their products.

### **II. Implications of the Draft Act for Trademarks**

Should plain packaging be introduced under this law, 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 the Thailand Constitution**

A plain packaging regulation would be a deprivation of property without compensation and would violate the Constitution of the Kingdom of Thailand. Section 41 of the Thai Constitution B.E. 2550

(2007) specifically provides that “*the property right of a person is protected.*” This protection extends to intellectual property, according to Section 86 of the Constitution:

*“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; . . . .”*

Furthermore, Section 43 of the Thai Constitution guarantees the right to engage in an enterprise or an occupation and to undertake fair and free competition. Plain packaging would prevent trademark owners from using their valuable trademarks while at the same time dictating how a Thai business may market or advertise its goods and services in violation of Section 43.

#### **IV. 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), amended by the Trademark Act (No. 2) B.E. 2543 (2000), 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.

Indeed, as Thailand prepares for accession to the Madrid Protocol relating to the Madrid Agreement concerning the international registration of trademarks (currently planned for mid to late 2013), 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.

#### **V. Thailand’s International Treaty Obligations**

In addition to the protection that valuable trademarks enjoy under Thai trademark law and the Constitution, 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. Similarly, the proposed plain packaging regulation, could subject Thailand to challenges under regional or bilateral trade and investment agreements.

## **VI. 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. Advertising and Brand Extension Restrictions**

In addition to the issues above relating to tobacco plain packaging, INTA is concerned with the provisions of Sections 31 restricting tobacco advertisements and Section 32 preventing use of a tobacco-related trademark on non-tobacco goods – otherwise known as brand extension.

Referring to the definitions of “Advertising” and “Marketing Communication” in Section 4, the provision in Section 31 making it an offense to conduct Advertising or Marketing Communication of Tobacco products seems beyond the objectives of this Act. This prohibition does not purport to control or reduce access to tobacco products; it prohibits many kinds of activities by anyone involved with tobacco products, even if they do not have the objective of promoting the products. For example, these restrictions could prevent a company from simply applying its logo to company letterhead.

In addition, a prohibition on displaying the name or mark of tobacco products will create obstacles for trademark owners when registering a mark or litigating against third parties. Evidence of use, advertising, marketing communication by any means, or display of a name, mark or brand, as prohibited by these sections, are important pieces of evidence to prove the distinctiveness of a mark for registration at the Thai Department of IP, and in litigation when comparing the similarity of marks in order to prove infringement and/or passing off. Additionally, a total ban on the display of tobacco trademarks registered with the Thai DIP will subject such registered trademarks to cancellation based on non-use.

Moreover, the prohibitions under Sections 31 and 32 would render these marks less attractive to third parties who may wish to license them or to financial institutions when the trademark owner seeks to raise capital by offering their IP as collateral to secure loans. Prohibiting advertising and brand

extension will diminish or abolish the value of goodwill of a brand or mark which has been accumulated over a long period of time.

#### **VIII. Conclusion**

In light of the foregoing, INTA submits that the provisions in Sections 31, 32 and 40 of the Draft Act would deprive trademark owners of valuable property, and violate the Thai Constitution, 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.

We understand that as of the date of the public hearing on this matter, the Thailand Department of Intellectual Property had not been informed or consulted about this draft law which, as we have explained, 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.