

Thailand

– a counterfeiter's paradise?

Wherever tourist markets open up, a trade in fakes is sure to follow. **Vicky Bamforth** spends a morning walking around Bangkok's notorious Patpong market, and asks what its trade in counterfeit goods says about the Kingdom of Thailand's intellectual property laws and problems with enforcement

A tourist buying a look-alike Louis Vuitton purse from a young girl on a market stall in the infamous Patpong market may think this is part of the freewheeling atmosphere of the country. Like elsewhere, however, street traders are working with criminal networks to take advantage of Thailand's good production capacity, and export-oriented economy.

The problem is not limited to consumer goods and digital media. Fake engine parts and pharmaceuticals are a major – and potentially life-threatening – problem. One medical study, conducted at Bangkok's Mahidol University, which evaluated samples of the anti-malarial Artesunate, discovered up to 11% of the drug distributed in Thailand contained no active ingredient at all.

According to Peter Holmshaw, of Orion Investigations, a Bangkok-based commercial investigation firm, some infringers, particularly those involved in producing counterfeit optical discs and pharmaceutical products may also be involved in prostitution, human trafficking and counterfeiting travel documents. The volume of IP piracy is staggering. Orion Investigations conducts raids every day, totaling an average of 200 a year, and is just one of a

number of investigators and attorney firms dealing with piracy. According to figures released in June 2004, Thai authorities had seized 732 million baht's worth of counterfeit goods under the Copyright Act, equivalent to over US\$18 million, in the previous 12 months. Experts estimate this constitutes about 15% of the trade overall.

Enforcement efforts

Thailand's IP legal regime is robust and complies with its obligations under the World Trade Organization Agreement on Trade-Related Aspects of Intellectual Property (TRIPS). With an active Intellectual Property Division located in the Ministry of Commerce, and an IP Court that dealt with 4,000 trademark and copyright cases in the year ending June 2004, there are opportunities for seeking redress within the Kingdom.

Rights' owners can pursue civil actions against counterfeiters but they rarely do. They have to prove lost sales, which is difficult in a country where so much of their market share has been diluted. Moreover, Thai law does not require business operators to register as companies to run a business, so civil actions fail to seize counterfeiters' assets.



The 1994 Copyright Act, now under amendment, views infringement as a crime against a person, while the 2000 amended Trademark Act sees infringement as a crime against the State, which has a duty to protect consumers from being fooled into buying substandard goods. This means that under section 66 of the Copyright Act, rights' owners can settle criminal cases before reaching court, while in trademark cases, they cannot. 'Taking action against a low-level infringer is like taking a sledgehammer to a street-trader, in the view of the courts, who often feel for the young and likely impoverished offender,' says Edward Kelly, director of the IP Division at Bangkok-based attorney firm Tilleke & Gibbins. However, the continual presence of street traders in tourist areas also erroneously gives an impression the government is lax in its attitude to infringement.



Politically, the climate has come a long way since 2000, when a raid on the then Prime Minister's Bangkok residence uncovered 80 fake CDs belonging to his driver. Police and customs officials are now empowered to take ex-officio action and government departments are

working more closely together. According to Fabrice Mattei, an IP attorney with international IP consultancy Rouse & Co, this has led to a very substantial improvement in enforcement over the last two years. When Rouse & Co first investigated shops in the coastal resort of

Phuket, they discovered 113 outlets selling counterfeit Quicksilver-branded diving equipment. With local and national government support, at last count this had been reduced to very few.

Since September 2003, Thai customs officials have raided consignments routinely, making an average of 10–12 seizures a month. 'In the last nine months,' comments Fabrice Mattei, 'for some of our clients, customs have seized as much as they did in the last nine years'.

WHAT RIGHTS' OWNERS CAN DO

1. Conduct active anti-counterfeiting campaigns, as infringers target rights' owners who do not.
2. Work closely with Thai-based attorneys and investigators who have strong links with government departments and enforcement agencies.
3. Don't limit enforcement program to Bangkok, many cities such as Hat Yai and Nong Khai are also paradises for infringers.
4. Target counterfeiters individually as well as in coalitions, as such individual campaigns often prove themselves to be more successful than coalition actions.
5. Conduct brand-awareness campaigns to increase local respect for IPR.
6. Dispose of counterfeit goods carefully. One company who burned counterfeit goods on a Thai beach received bad publicity as a result.
7. Lobby for effective measures with the US and Japanese governments who are pressing for strong anti-counterfeiting measures during current trade negotiations with the Thai government.

More action needed

Nevertheless, successful raids do not always catch the mastermind of the operation, and corruption is still a problem. When attorneys at Tilleke & Gibbins recently raided a shopping mall near Bangkok International Airport, they assembled a team of almost 100 police officers, investigators and attorneys. Yet the first attempt was abandoned at the last minute, after

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police yielded to pressure from the mall's owner, a powerful military official. 'We took the case to the Minister of Commerce,' said Edward Kelly, 'and he got involved. When the raid finally went ahead, we discovered 12,000 cases of counterfeit Shiseido and L'Oreal products and 27 sellers pleaded guilty to trademark offences.'

Trying to prevent landlords from leasing premises to counterfeiters has been unsuccessful. At Panthip Plaza, Bangkok's largest computer shopping mall, outlets ignore prominently displayed anti-counterfeiting notices, offering thousands of fake software CDs for sale. Competition between outlets is so intense that sales scouts linger near the entrance, touting newcomers for business. 'The law needs to be changed to make landlords liable,' admits Edward Kelly. 'Punishments need to be more severe. Repeat offenders or owners of large counterfeiting operations should receive jail sentences, as they do in Singapore and Hong Kong.'

Convicted counterfeiters can expect fines of US\$2,000 for first timers and up to US\$20,000 for repeat offenders. This is minute compared to profits. In one case that Peter Holmshaw investigated, a group of university students were discovered selling optical discs containing counterfeit software, games, movies, and music over the Internet. They were buying blank CDs for five baht and selling them for 250 baht each, making a profit of over 73,000 baht a day, equivalent to an annual turnover of nearly US\$700,000.

Other attorneys believe that harsher penalties would send operations across Thai borders into Cambodia, Laos and Burma. This is happening already. In the Burmese border market of Tachilek, thousands of DVDs are offered for sale to day-trippers.



Many local consumers view IPR as a western concept they cannot afford. Few Thai consumers can buy a US\$40 football shirt on earnings of US\$50 dollars a month. Poverty is not always the main issue though. An estimated 80% of Thai-based public and overseas companies, who could afford genuine software, choose counterfeit. 'Some Western companies have been very aggressive about enforcement,' says Fabrice Mattei. 'Rights' owners now need to focus on making people more receptive to IPR, rather than taking criminal action against them.'

state should be involved by leading criminal cases, but in other areas too, it seems that IP judges are taking a different stand. In the IP courts there is increasingly a need to show counterfeiters had criminal intentions by informing them they are conducting a crime, before taking criminal enforcement action, in the light of the low level of awareness of IP in Thailand. There is also debate about section 66 of the Copyright Act, since in a bizarre twist, counterfeit rights' owners have 'raided' infringers and used fake Powers of Attorney to extort money.

In 2000, a raid on the then Prime Minister's Bangkok residence uncovered 80 fake CDs

Thai judges are beginning to agree. 'Many prefer rights' owners to take civil rather than criminal actions,' admits Fabrice Mattei, 'since they feel it is not the state's role to enforce IPR'. In civil actions the rights' owner prosecutes the infringer although the government facilitates the process by providing a court and judge. Rights' owners could argue that counterfeiting is such a huge problem the

With infringement still an overwhelming problem, it is important rights' owners take appropriate action to ensure the strengthened political will is not undermined through lack of resources and legal overkill.

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