Vagueness and Enforceability: Potential Problems of the 1991 Thai Trademark Act

Sakda Thanitcul

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VAGUENESS AND ENFORCEABILITY:
POTENTIAL PROBLEMS OF THE 1991 THAI
TRADEMARK ACT

Sakda Thanitcul†

Abstract: In 1991, Thailand adopted a new Trademark Act, which, among other goals, increased protection of trademark and service mark agreements. However, enforcement of these new rules has not been clearly defined. In the first portion of this article, the author examines the new rules for trademark agreements in Thailand. These rules give extensive discretion to the Thai Registrar, yet have potential problems in enforcing standards such as quality control. The next section examines Thai public policy, and analyzes how other industrialized nations enforce their policies on trademarks. Finally, the article recommends that Thailand increase quality control, and more carefully define the grounds for restricting trademark licensing agreements.

I. INTRODUCTION

The difficulty of interpreting Thai laws is a pressing concern for anyone seeking to enter into a trademark licensing agreement in the Thai market. Experts of the World Bank described the Thai legal system by stating the following:

First and most obviously, Thai laws are sometimes badly out of date . . . . Secondly, [the system] reinforces the bureaucracy's penchant for proposing laws that give it all-encompassing powers, to cover as many future contingencies as possible . . . . Most Thai legislation is very brief, limited to granting specified ministries, or departments within ministries, broadly worded empowerment.¹

The 1991 Thai Trademark Act is no exception.² For example, the new Section 69 of that law gives the Registrar undefined regulatory discre-

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¹ Scott Christensen et al., Thailand: The Institutional and Political Underpinnings of Growth 20 (1993).
tion to scrutinize trademark license agreements. A comparative study of the experience of the United States, Japan, Korea and Taiwan in this particular area of trademark licensing indicates that the new Thai Trademark Law will eventually raise serious problems of predictability for concerned parties. Because the new law is lacking in predictability, it does not provide confidence to foreign trademark holders or the general public, nor does it aid in their understanding of the law and the process of legal implementation.

One of the reasons that the Thai government enacted the new Trademark Act was to recognize trademark and service mark licensing agreements which have been recognized and protected under the modern laws of many countries. It is true that the Thai government amended Trademark Act No.3 B.E. 2504 of 1961 in response to the demands of the United States Trade Representative (USTR). However, other considerations played a role in the development of the law. For example, the provisions relating to trademark licensing agreements were partially modeled after the Model Law for Developing Countries on Marks, Trade Names, and Acts of Unfair Competition, 1967, of the United International Bureaux for the Protection of Intellectual Property (BIRPI).

For years before the present Trademark Act was enacted, trademark licensing was governed by the provisions relating to contract in the Thai Civil and Commercial Code. Following the recent enactment, trademark


3 See generally Morowitz, supra note 2.

4 Ted McDorman, US-Thailand Trade Dispute: Applying Section 301 to Cigarettes and Intellectual Property, 14 MICH. J. INT’L L. 90, 108-09 (1992). Professor McDorman wrote, “US pressure on Thailand has resulted in some change. A new Trademark Act has been enacted which updates its 1931 predecessor and which has broader coverage and more significant penalties for infringement of trademark rights. It appears that the United States is satisfied with the new Thai legislation.” See also SURAKIART SATHIRATHAI, THAILAND AND INTERNATIONAL TRADE LAW 24 (1987). Professor Sathirathai wrote, “[I]n the case of Thailand, the U.S. has demands for Thailand’s ‘adequate’ protection of US intellectual property were presented in a package consisting of demands over various issues concerning market access . . . . As to the specific IP issues, the U.S. has demanded a new trademark bill, replacing the present 1931 Trademark Act, in order to cover services and certification marks and increased penalties (both fines and imprisonment) against trademark violators.”

5 See Thai Trademark Act §§ 68-79 infra appendix pp. 53-56.

6 MODEL LAW FOR DEVELOPING COUNTRIES ON MARKS, TRADE NAMES, AND ACTS OF UNFAIR COMPETITION 53-54 (United International Bureaux for the Protection of Intellectual Property, 1967). See also Thai Trademark Act § 68(2) infra appendix p. 53.

7 Boonma Techwanich, Praden Sunkan Nai Kanjeraj Loe Kantam Sanya Anuyat Hai Chai Sitti Nai Kanpalit Loe Druangmai Kan Kankan [Major Issues in Trademark Licensing], in KANJERAJA LAE KANTAM SANYA ANUYAT HAI CHAI SITI BAEB TANG TANG [NEGOTIATION AND LICENSING AGREEMENTS] (Dhajjai
licensing agreements are now primarily governed by the 1991 Act. Since the United States, Japan, Korea and the Republic of China (Taiwan) have had long experience with trademark licensing agreements, the Thai Trademark Office and the Thai courts should look to those countries for possible answers to problems related to trademark licensing agreements. Thai officials should pay particular attention to the issues of quality control and restrictive clauses.

Like the Thai Registrar's counterparts in industrialized nations, the main task of the Registrar is to insure that the quality control clause is actually carried out by the licensor. However, the Registrar does not have sufficient authority to scrutinize restrictive clauses contained in trademark licensing applications. To support this argument, this article examines the newly added provisions concerning trademark licensing agreements in the Thai Trademark Act and identifies potential problems. Also, by drawing on some of the experiences of the United States, Japan, Korea, and Taiwan, this article suggests that authorities could avoid anticipated problems by enforcing quality control, and by removing vague restrictive clauses from the Act. Finally, the appendix provides an English translation of the pertinent sections of the new Trademark Act.

II. CHANGES IN QUALITY CONTROL AND RESTRICTIVE CLAUSES WITHIN THE NEW TRADEMARK LAW

A. New Rules for Trademark Licensing

The Thai Trademark Act of 1931, which was modeled after the British Trademark Act of 1905, contains no provisions regarding trademark licensing. The new Act changes this situation. Its two major objectives are to modernize the trademark law and to give the Registrar power over licens-
ing agreements with respect to quality control.\textsuperscript{10} This has the effect of creating a mechanism for consumer protection within the Act.\textsuperscript{11}

In order to safeguard consumer interests, the Trademark Law requires licensing agreements for registered trademarks to be in writing and to be registered with the Registrar.\textsuperscript{12} Non-compliance with these formalities will render a contract void. An agreement must include a clause which authorizes the licensor of the trademark to control the quality of the goods manufactured by the licensee.\textsuperscript{13} The agreement must also state the nature of the goods to be affixed with the licensed trademark.\textsuperscript{14}

If the Registrar decides that the agreement will not cause confusion to consumers and is not contrary to public order, or good morals or public policy, he may register the agreement with or without conditions or restrictions.\textsuperscript{15} If the agreement fails in any one of these categories, the Registrar shall reject the agreement.\textsuperscript{16} The licensor or the licensee may then appeal the Registrar's order or denial to the Trademark Board within 90 days of the date of receipt of the decision, or the order will be deemed final.\textsuperscript{17} Furthermore, the Board's decision on appeal is final.\textsuperscript{18}

The licensor and the licensee may jointly request the Registrar to change the provisions of the licensing agreement, particularly the type of goods to be affixed with the trademark and the conditions and restrictions stipulated by the licensor.\textsuperscript{19} This section appears to provide an important measure of flexibility. Amendment procedures will be specified in future ministerial regulations.\textsuperscript{20}

According to the new rules, registration of a licensing agreement may be canceled under various circumstances. The licensor and licensee may jointly request cancellation of the agreement.\textsuperscript{21} Moreover, either party may request cancellation if it can show that they have terminated the agreement.\textsuperscript{22} Finally, either the Registrar or any interested party may request the

\begin{itemize}
\item \textsuperscript{11} Id. at 20.
\item \textsuperscript{12} Thai Trademark Act § 68(2) (1991).
\item \textsuperscript{13} Id. § 68(1) (1991).
\item \textsuperscript{14} Id. § 68(2) (1991).
\item \textsuperscript{15} Id. § 69 (1991).
\item \textsuperscript{16} Id.
\item \textsuperscript{17} Id.
\item \textsuperscript{18} Id.
\item \textsuperscript{19} Id. § 71 (1991).
\item \textsuperscript{20} Id.
\item \textsuperscript{21} Id. § 72 (1991).
\item \textsuperscript{22} Id.
\end{itemize}
Trademark Board to cancel the registration if: (1) the licensee uses the trademark so as to "[cause] public confusion or [be] contrary to public order or morality or public policy," or (2) the licensor is unable to control the quality of the goods. The effect of canceling the registration under any one of these circumstances is to terminate any license concerning the trademark.

B. Potential Problems of the New Trademark Act

The changes in the rules for trademark licensing give significant discretionary powers to the Registrar and the Board which may prove problematic for trademark license agreements and business in general. Allowing the executive body the final decision on appeals of trademark license agreements appears to be a normal administrative law procedure. However, the subjective nature of the decision regarding public order, good morals, or public policy confers arbitrary power over the registration of trademark license agreements. This is particularly evident in Sections 68 and 69 of the 1991 Act, which give a great deal of discretionary authority to the Registrar in the process of screening trademark license applications for registration.

I. Potential Problems with Quality Control

The Registrar's ability to have any quality control over licensed goods derives from Section 68 of the Act. This Section requires that the license agreement give the licensor power to control the quality of the licensed goods. If the licensor does not retain quality control, the Registrar must deny the license agreement. The question is thus, "How will the Thai authority, with no experience but with a great deal of discretionary power in processing trademark licensing applications, decide whether the trademark owner actually exercises sufficient control to guarantee the quality of the goods provided to the public by the licensee?"

23 Id.
24 Id. § 76 (1991).
26 Id.
27 Id.
28 Thai Trademark Act § 68(1).
The World Intellectual Property Organization (WIPO) stresses that the licensor’s control over the use of its trademark must be effective.\(^{29}\) Merely having the power to control quality but never exercising it is not sufficient.\(^{30}\) Only by actively participating with the licensee can the licensor control the nature and quality of the goods.\(^{31}\) Such control over quality is essential to meeting the requirement of not deceiving or confusing the public which is articulated in Section 69 of the Act.

The Thai Trademark Act does not define "quality" or "control" and does not specify the means through which control is to be exercised in order to meet the requirements of Section 68 or 69. It is also noteworthy to point out that the new Trademark Act does not stipulate whether the licensor or the licensee should be held liable for torts related to the nature and quality of the goods or in connection with which the licensed mark is used. The crucial question remaining for the Thai Registrar is to decide on a case-by-case basis whether the trademark owner, in fact, exercises sufficient control to guarantee the quality of the goods provided to the public by the licensee under the owner’s trademark and, thereby, renders the licensee’s use non-deceptive to the public.

There are at least three reasons why the Thai authorities should carefully oversee the licensor’s duty of quality control.\(^{32}\) These include: 1) uniformity of the branded product, 2) guarantee that the product conforms to the trademark owner’s own standards of integrity, and 3) knowledge of the licensee’s identity if there is wide-spread licensing of a particular mark.\(^{33}\) Although it is natural for the quality of a good to fluctuate somewhat over time, the consumer has the right to assume that a trademarked product conforms to expected standards, and that the quality will not be dissipated by indiscriminate licensing.\(^{34}\) In addition, the trademark owner must be sufficiently vigilant in order to make certain that there is no deterioration in the quality of products made by the licensee.\(^{35}\)

\(^{29}\) WORLD INTELECTUAL PROPERTY ORGANIZATION, BACKGROUND READING MATERIAL ON INTELLECTUAL PROPERTY 178 (1988).
\(^{31}\) Blynn, supra note 30, at A-9.
\(^{32}\) Harry L. Shniderman, Trade-mark Licensing — A Saga of Fantasy and Fact, 14 LAW & CONTEMP. PROBS. 248, 253 (1949).
\(^{33}\) Id.
\(^{34}\) Id.
\(^{35}\) Id.
By following these considerations, the Registrar, through the licensor, can maintain quality control and meet the "no public deception" requirement.

2. Potential Problems with Restrictive Clauses

When registering a trademark agreement, the applicant must also take into account the Ministerial Regulations, which parallel the restrictive clauses found in Section 69 of the Act. These administrative rules provide that, in addition to Section 68's mandatory clauses regarding registration and quality control, the agreement must not:

a) confuse or mislead the public;
b) be contrary to public order;
c) be contrary to good public morals; or
d) be contrary to public policy.\(^{36}\)

These four requirements form the basic restrictions which are imposed on trademark agreements. Failing in one of these categories prevents approval of the agreement.

a. Confuse or mislead the public

The Commercial Registration Department of the Ministry of Commerce explained the rationale behind the new provisions related to licensing the use of trademarks.\(^{37}\) Although the practice of trademark licensing has been widespread, there is no law governing the licensee's use of the trademark.\(^{38}\) Some trademark proprietors have many non-exclusive licensees. This may cause public deception because the quality of goods under the same trademark may vary. The new law is meant to require that the trademark licensor must have actual control over the quality of goods or services manufactured under trademark licensing agreements.\(^{39}\) The requirement of actual control is a "must" in the laws of the United States,


\(^{38}\) *Id.*

\(^{39}\) *Id.*
Japan, Korea and Taiwan. Thus, it is natural for the Thai law to require the same thing in order to protect the public from deception.

b.  Be contrary to public order; and
c.  Be contrary to good public morals

Before the new Trademark Act was promulgated in 1992, the legal relationship between the licensor and the licensee was totally contractual and subject only to general law, namely the various provisions related to contract in the Thai Civil and Commercial Code.40 One such provision is Section 113 of the Civil and Commercial Code, which states that any part of a trademark licensing agreement must not have an objective which is expressly prohibited by law, or is contrary to public order or good morals.41 After the new Trademark Act was enacted, those same provisions in the Civil and Commercial Code remain in effect, and must be taken into account when outlining or structuring licensing agreements.42 Agreements that violate sections of the Civil and Commercial Code are considered void.43 Thus, the drafters of the new Act did not necessarily have to rewrite the requirement of the Civil Code Section 113 into Section 69, as it is redundant.

d.  Be contrary to public policy

This requirement is a major concern. What exactly is “public policy” as related to trademark licensing agreements? One Thai attorney specializing in trademarks explained the meaning of “public policy” as follows:

The Registrar may reject a trademark licensing agreement if it is contrary to the public policy. Examples include: 1) a trademark licensing agreement in which the licensor has excessive advantages over the licensee; 2) a trademark licensing agreement in which the licensee is required to pay excessively high royalty to the licensor; 3) a trademark licensing agreement

40 Subhapholsiri, supra note 10, at. 20.
41 Chaimgungkalanont, supra note 25, at 26.
42 Id.
43 Id.
with unacceptable restrictive clauses imposed upon the licensee.\textsuperscript{44}

If the above explanation is the real intent of the draftsmen of the new Trademark Act of 1991, it is likely to result in enormous problems. Besides being the Registrar of the trademark licensing agreements, the Thai Registrar (generally the general-director of the Department of Commercial Registration) will also have the same authority as the antitrust division of the Federal Trade Commission in the United States, or as the Fair Trade Commission in Japan, or as the Fair Trade Office in Korea, because he has authority to screen almost any item in any trademark licensing applications. This provides one person with an extraordinary amount of discretionary power. Furthermore, the Registrar's duties require him to enforce policies which large divisions of people administer in other industrialized nations. Such discretionary power makes the law vague, and thus it cannot effectively achieve specific policy objectives. The foreign licensors in Thailand are familiar with laws that target specific public policy objectives. If the policy behind the Thai Trademark Law is too broad, it may cause confusion. This is the opposite of Thailand's stated goal, which is to modernize its Trademark Law.

III. DEFINING "PUBLIC POLICY" RELATING TO TRADEMARK LICENSING APPLICATION

Most industrial countries employ different government agencies and laws to screen trademark licensing agreements for different criteria relating to public policy. Thailand, however, has only the Registrar to screen such agreements. Furthermore, the Thai public policy is not well defined, either by laws or by actions of the enforcement agency. This section first identifies certain problems in the public policies of Thailand. It then reviews the division of functions between agencies and laws in Japan, the United States, Korea, and Taiwan. This review helps to identify the typical usage of "public policy" relating to trademark licensing, which can in turn be used to identify difficulties Thailand might face.

\textsuperscript{44} Kowit Somwai, Yawluk Kodmai Kruangmai Kankah [Summary of the Major Principles in the Trademark Act of B.E. 2534] 89 (Thail., 1992).
A. Problems with Thai Public Policy

In 1987, Thai licensees spent about $3.2 million on foreign technology. Among these payments, Thai licensees of international trademark licenses paid about $140,000 for the use of foreign trademarks. The four main sources of international licensing agreements in Thailand are Japan, the United States, Great Britain, and Germany. Recently, a joint study done by the Ministry of Science, Technology and Energy and the Bank of Thailand, examined international licensing agreements formed between 1973 and 1986. This study found that Thai licensees paid excessively high royalty fees. Some of the Thai licensees were so ignorant that they agreed to pay royalty fees for technology that had patents which had already expired. Moreover, most of the licensing agreements contained restrictive clauses, such as export restrictions. The results of this study reconfirmed those of prior studies conducted by the Economics and Social Commission for Asia and Pacific (ESCAP) and by Mingsan Santidarn, a Thai economist. It is apparent from these studies that Thai licensees need more protection when entering into a licensing agreement with a foreign country.

There were also at least two studies of how the Thai government should intervene in those international licensing agreements. However, these studies have not been translated into a national policy on technologi-

46 Id. at 3.
47 Id. at 3, 4.
48 Id.
49 Id.
50 Id.
52 Id. at 747 n.20 (citing MINGSAN SANTIKARN, KANSEU WITAYAKAN JAK BANSAT KAMCHAT DOY KANTAMSANYA [BUYING TECHNOLOGY FROM TRANSNATIONAL CORPORATION BY CONTRACTUAL ARRANGEMENTS]) (Dr. Mingsan Santikarn did a comprehensive study on more than 200 licensing agreements that contained restrictive clauses.).
53 These studies were conducted by the United Nation Conference on Trade and Development (UNCTAD) and the United Nation Industrial Development Organization (UNIDO) experts on technology transfer. Id. at 742 n.16, 743 n.17 (citing respectively UNCTAD, HANDBOOK ON THE ACQUISITION OF TECHNOLOGY BY DEVELOPING COUNTRIES (New York, 1978) and UNIDO, NATIONAL APPROACHES TO THE ACQUISITION OF TECHNOLOGY BY DEVELOPING COUNTRIES (New York, 1978)).
cal development because of two major obstacles. First, the Thai private sector strongly opposes the idea of government intervention. Second, the experiences of government intervention in technology transfer in Malaysia, the Philippines, India, and Mexico have not demonstrated that intervention actually has a positive impact on national economic development. Instead of direct government intervention in international licensing agreements, the Thai government allows licensees to import foreign technologies without any constraints.

It is also important to explain the policy behind the so-called "Price Control and Antimonopoly Act," which became effective on May 2, 1979. The Thai policy is different from the competition policy found in the antimonopoly and unfair trade laws of the United States, Japan and Korea. For instance, the competition policy underlying the Japanese Antimonopoly Law is to prevent the emergence of private monopolies by regulating acts which may lead to such monopolies. The law prevents businesses from forming an international agreement which would create an unreasonable restraint on trade or would constitute unfair trade practice. On the other hand, the policy behind the Thai Price Control and Antimonopoly Act is to protect consumers from anti-competitive behavior by dominant firms by establishing mechanisms to control the prices of goods.

Thus, at the present time Thailand does not have either a technology development or competition policy that has been articulated in formal laws. There is no law that empowers the Thai Registrar to screen trademark licensing applications based on technology development policy or on competition policy. The only power that the Thai Registrar has is to scruti-
nize those trademark licensing applications based on the "no-public deception" criteria authorized by the new Trademark Act.

B. Lessons from Other Nations

In many industrial nations, the government enacts specific legislation to promote various public policies. Furthermore, separate agencies enforce aspects of these laws. Common policy goals include promoting technological development, regulating foreign competition, and preventing public deception. By observing how other nations enforce these policy objectives, Thai authorities could more effectively anticipate (and prevent) problems in the area of trademark licensing.

1. Japan

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<tr>
<th>Policy</th>
<th>Law</th>
<th>Entity in charge</th>
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<tbody>
<tr>
<td>1. technological</td>
<td>The Foreign Capital Law</td>
<td>Ministry of Finance, MITI</td>
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<tr>
<td>development</td>
<td>The Foreign Exchange and Foreign Trade Control Law</td>
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<tr>
<td>2. competition policy</td>
<td>The Antimonopoly Law</td>
<td>Japanese Fair Trade Commission</td>
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<td>3. &quot;no public</td>
<td>The Trademark Law</td>
<td>The Patent and Trademark Office</td>
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<td>deception&quot;</td>
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Several observations can be made about the Japanese screening system. First, a technology licensing agreement will be approved by the Ministry of Finance (MOF) or the Ministry of International Trade and Industry (MITI) if it helps to bring about technology which the government considers desirable.61 Secondly, the Japanese Fair Trade Commission (JFTC) will use administrative guidance to order the contracting parties to

delete restrictive clauses contained in the agreed contract.\textsuperscript{62} Thirdly, the Patent and Trademark Office will make sure that any trademark licensing agreement contains a quality control clause.\textsuperscript{63} Thus, a trademark licensing application is subject to scrutiny under three policies, three laws, and at least three governmental entities. It is apparent that Thailand could benefit from similar diversification.

The Japanese system of scrutinizing international technology agreements demonstrates three points. First, there must be a clearly stated policy with regard to licensing agreements. Second, this policy must be translated into a law. Finally, there must be a governmental entity to implement each law, and there must be sufficient numbers of trained staff to ensure proper screening.\textsuperscript{64} It is also possible that the governmental entity in charge of enforcement of such a law, such as the JFTC, may develop its own administrative guidelines. This action further limits bureaucratic discretion. Thai law, on the other hand, gives substantial discretion to one person, the Registrar. Furthermore, the only public policy defined in law is the policy of "no public deception."

2. The United States

Table 2: U.S. Policies and Enforcement Mechanisms

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<th>Policy</th>
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<th>Entity in Charge</th>
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<td>2. competition policy</td>
<td>The Antitrust Law</td>
<td>The Antitrust Division of the Department of Justice and the Federal Trade Commission</td>
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</table>

The United States government is concerned with two main public policy considerations. First is the requirement of "no public deception." The second pertains to competition policy. The United States government

\textsuperscript{63} Yoshio Kumakura, \textit{Licensing, in DOING BUSINESS IN JAPAN 6-1, 6-32} (Kitagawa Zentaro ed., 1991).
has promulgated various laws to enforce these public policies. These laws include the Lanham Act of 1946, the Antitrust Law, and the Unfair Competition Law. The responsibility of enforcing these laws is entrusted to different agencies. For example, the antitrust division of the Department of Justice, which has over 500 full-time employees, enforces the antitrust laws. The United States divides the responsibility for screening trademark licensing agreements between at least three laws and two governmental agencies. Thus, specialized agencies can enforce specifically defined objectives.

3. Korea

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<tr>
<td>1. technological</td>
<td>The Foreign Capital Inducement Promotion</td>
<td>Ministry of the Economic Planning Board</td>
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<td>development</td>
<td>Act</td>
<td></td>
</tr>
<tr>
<td>2. competition policy</td>
<td>Monopoly Regulation and Fair Trade Act</td>
<td>The Fair Trade Office</td>
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<td></td>
<td>(1980)</td>
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<td>deception&quot;</td>
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Korea modeled its strategy of technological development after Japan. Korea imported appropriate advanced technology for assimilation and improvement while it simultaneously promoted the development of its domestic technological capacity. Thus, it is not surprising that the public policies of Korea relating to trademark licensing and other international technology agreements are similar to Japan. Like Japan, Korea divides the responsibility of screening three public policy issues between three laws and their respective government agencies. Korea, as a newly industrialized country, could serve as a model for Thailand, which is facing many of the problems Korea faced in the early stages of its development.

66 THE ASIAN AND PACIFIC CENTER FOR TRANSFER OF TECHNOLOGY (APCTT), TECHNOLOGY POLICIES AND PLANNING: KOREA 22 (1986).
4. Taiwan

Table 4: Taiwanese Policies and Enforcement Mechanisms

<table>
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<th>Policy</th>
<th>Law</th>
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<td>The Statute for Technical Cooperation</td>
<td>Ministry of Economic Development</td>
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<td>development</td>
<td>The Statue for Investment by Foreign</td>
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<td>Nationals</td>
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<td>2. competition</td>
<td>The Fair Trade Law</td>
<td>Fair Trade Commission</td>
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<td>policy</td>
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<td>3. &quot;no public</td>
<td>The Trademark Law</td>
<td>National Bureau of Standards</td>
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<td>deception&quot;</td>
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While Korea modeled its intellectual property laws after Japan, Taiwan has adopted many elements of the legal framework and concepts of intellectual property laws of the United States. Apart from using these concepts, Taiwan has developed its own legal framework for inducing technology from abroad.

From 1963 to 1985, the standards that Taiwan’s Trademark Authority employed in granting trademark licenses were neither clear nor consistent. Furthermore, the Trademark Authority often rejected the application for licenses on the grounds that foreign trademark owners had no domestic factory, investment, or technology cooperation with domestic manufacturers, and thus actual control was unlikely to exist. It appears that this inference drawn by the Trademark Authority was inappropriate and irrational. The experience of Taiwan with the unclear criteria used to screen trademark licensing applications can be divided into three periods, discussed below. Each of these periods provides examples of difficulties that Thailand may face.

70 Id. at 37.
71 Id. at 33, 16, 17.
a. 1963-1972

The Trademark Authority of Taiwan screened trademark licensing applications from foreign owners pursuant to a directive promulgated by Ministry of Economic Affairs (MOEA). This directive stated that the Trademark Authority could not approve trademark licensing applications unless the goods involved were of superior quality, were necessary or in high demand within Taiwan, and the agreement would increase the domestic industry as well as exportation. During this period, the practice of the Trademark Authority caused a great deal of controversy and there were numerous disputes.

b. 1972-1980

In 1972, the new Trademark Law set a new standard for approval. It directed the MOEA to set requirements which would base the approval of trademarks on the “need for developing the national economy.” The so-called “need for developing the national economy” criterion used in screening trademark license applications set a vague standard which was open to broad interpretations by the Trademark Authority. This inconsistent interpretation led to a great number of disputes between the Trademark Authority and foreign companies during the period of 1972-1980. The current Thai law also sets a vague standard, which may present similar problems when dealing with foreign companies.

c. 1980-Present

Establishment of a more clearly defined trademark licensing criteria became a necessary step. From 1980 to 1985, the MOEA promulgated and amended the “Criteria for the Handling of Licensing of Trademarks Owned by Foreign Enterprises.” The Guidelines indicate that license agreements meeting any of the following conditions should be approved:

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73 Hong, supra note 69, at 37.
74 Doi, supra note 72, at 473 (referring to Article 26 of the 1972 Trademark Law of the Republic of China).
75 Hong, supra note 69, at 16, 17.
Art. 1) Where a foreign enterprise has obtained approval under the Statute for Investment by Foreign Nationals . . . .

Art. 4) Where a foreign enterprise has obtained approval for a technical cooperation under the Statute for Technical Cooperation . . . .

Art. 5) Where the goods using a trademark which has registered in the R.O.C. by a foreign enterprise are of excellent quality and having international market, . . . provided that goods manufactured are under the supervision and control of the foreign enterprise so that the goods manufactured by the licenses [sic] remains of the same quality as goods manufactured by the foreign enterprise.76

It is apparent from the 1985 Guidelines that the screening of strategic technology has been shifted from the Trademark Authority to other governmental agencies in charge of enforcing the Statute for Technical Cooperation. Thus, it more clearly defined the screening criteria of Taiwan’s Trademark Authority. Furthermore, enforcement of the Trademark Law focuses primarily on the “no public deception” criterion, which brought it more in line with Taiwan’s counterparts in the United States, Japan and Korea. Thailand could benefit from following Taiwan’s example, and likewise bring the enforcement of the Trademark Law in line with these other developed nations. If Thailand fails to do so, it could continue to face many of the problems that Taiwan faced prior to 1980.

IV. SUGGESTIONS TO IMPROVE THAI TRADEMARK POLICY

As mentioned above, one of the two major objectives behind the amendment of the Trademark Act is that the Thai government sought to modernize the Thai trademark law.77 Particularly, the government tried to bring the law in line with Thailand’s major economic partners.78 These partners include the United States, Japan, Korea and Taiwan. The experiences of these advanced countries with issues in trademark licensing should

76 MINISTRY OF ECONOMIC AFFAIRS, CRITERIA FOR THE HANDLING OF LICENSING OF TRADEMARKS OWNED BY FOREIGN ENTERPRISES arts. 1, 4, 5 (Industrial Development and Investment Center 1988) (translating the Chinese version of 1985).
77 See generally Morowitz, supra note 2.
78 Subhapholsiri, supra note 10, at 21.
certainly provide some useful ideas for Thailand. Following are some suggestions drawn from the comparative study above.

A. Methods to Improve Quality Control Through the Registrar

The Thai Registrar should give special attention to the underlying need for quality control. The Registrar should not just allow a company to provide a well-drafted clause which normally comes within the proviso of Sections 68 and 69, but which does not provide any real mechanism for product supervision. As WIPO emphasizes, “arrangements that are merely a sham designed to placate official requirements not only fail to maintain the function of a trademark but they destroy it.”

To improve quality control of trademarked goods, the Thai Registrar needs to determine if there is effective supervision and control by the licensor of the good. The Registrar may find helpful guidelines by looking to the experiences of the United States courts. Decisions of the United States courts which deal with the supervision of quality control by trademark licensors could be studied and applied to the Thai context of screening trademark licensing applications.

Since, for whatever reason, the new Trademark Act does not define “quality” and “control” and measures for effective control, it is very possible that the Thai trademark authority will interpret the requirements provision strictly. If defined too strictly, decisions may be irrational and inappropriate, as was the case in the early years of Taiwan’s Trademark Laws. The Thai Registrar should try to avoid such a situation by adopting a flexible structure within which a trademark can be licensed. The Registrar could adopt some of the standards that have been set by United States’ courts, for example: specification of a standard, testing of samples, plant supervision, inspection, training of the licensee’s employees, approval of the licensee’s advertising, requiring the licensee to make refunds to dissatisfied purchasers, and cancellation of license provisions.

79 WORLD INTELLECTUAL PROPERTY ORGANIZATION, supra note 29, at 178.
80 See Horng, supra note 69, at 33.
83 See generally Bacardi Corp. of America v. Domenech, 311 U.S. 150 (1940).
84 See generally Dawn Donut Co. v. Hart’s Food Stores, Inc., 267 F.2d 358 (2d Cir. 1959).
86 See generally Smith v. Dental Prods. Co., 140 F.2d 140 (7th Cir. 1944).
The major problem that the Thai authority experienced prior to the amendment in 1992, was that foreign trademark owners had contractual arrangements with many local licensees, but did not participate in quality control.89 Those local licensees were authorized to manufacture trademarked goods under a particular trademark.90 Because of the lack of actual supervision and control by the licensor, the trademarked goods were of inconsistent quality.91 Thus, the public was sometimes confused and misled. The amended version of the act allows the Trademark Authority to step in and to ensure that the quality control will be actually carried on by the licensor in the future.92

Furthermore, when there are a number of different licensees producing a good under a single trademark, it may become necessary to reveal the identity of the licensor and licensees.93 This would allow consumers to make an informed decision between goods.94

Korea provides an example of how consumers can be given this information. The Korean authorities require that a Korean licensee using a foreign trademark under a trademark license agreement must state the following:

i) Made in Korea
ii) Name of Manufacturer and place of manufacture
iii) The grounds for use of the mark, e.g. "Under Technical Assistance of XYZ Co.,” or "Under Trademark License of XYZ.”95

This label must be in the Korean language, and in reasonable proximity to the licensed trademark.96

The Thai authority should adopt the requirement of notice of trademark license to effectively protect consumers from confusion. Furthermore,

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89 EXPLAINING MAJOR AMENDMENTS, supra note 37, at 1-2.
90 Id.
91 Id. at 2.
92 Id.
93 Shniderman, supra note 32, at 263.
94 Id.
95 YONG SHIK CHANG, HOW TO LICENSE YOUR TRADEMARK IN KOREA 37 (1987).
96 Id.
the disclosure of licensees should lead to competition between multiple licensees. The competition between those licensees to avoid "commercial suicide" should result in quality improvement, bringing the quality of the good very close to the level of that of the licensor's. This increase in quality will benefit the Thai public. Without any further amendment of the new Trademark Act of 1991, the Thai Registrar is empowered by the wording of Section 69 to order the licensee to provide this information to the public.\(^9\) However, this information should not lead to the development of second, domestic trademarks. Since 1992 it is against internationally agreed norms to demand the use of this form of combined trademarks (e.g., KIA-HONDA).\(^9\)

Another problem with quality control is found in the provisions of Sections 72, 73, 74, and 75, which have been criticized because under these sections only interested persons or the Registrar, but not the licensor or licensees, may make an appeal to the Board for a cancellation of a trademark agreement.\(^9\) However, Section 72, which provides these rights to interested persons and the Registrar,\(^10\) is important in the control of the quality of the trademarked goods after a registration of trademark license is approved by the Registrar. The same kind of safeguard provisions can also be found in the Japanese trademark law, the Korean trademark law and Taiwan’s trademark law.\(^10\)

B. Improved Enforcement of Licensing Agreements Containing Restrictive Clauses

In 1986, the Thai government took its first step into the intervention of international patent licensing agreements by the promulgation of Ministerial Ordinance No.7.\(^10\) This Ordinance adopted the safeguard provisions of the WIPO Model Law for Developing Countries On Inventions

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97 Thai Trademark Act § 69 (using language that a licensing agreement does not "cause confusion to the public").

98 As the recent draft agreement regarding licensing and assignment reads: "... it being understood that the compulsory licensing of trademark shall not be permitted ...." Agreement on Trade-Related Aspects of Intellectual Property Rights, Including Trade in Counterfeit Goods (Draft), in "THE DUNKEL DRAFT" FROM THE GATT SECRETARIAT 65 (Institute for International Legal Information ed., 1992).

99 Chaimungkanont, supra note 25, at 27.

100 See Thai Trademark Act § 72 infra appendix p. 54.

101 See generally, Morowitz, supra note 2.

102 Major Issues in Trademark Licensing, supra note 7, at 216. This ordinance was based on Section 39(1) of the Patent Act of 1979.
(Volume II), in order to establish a legal and administrative framework for the examination and registration of patent licensing agreements.\textsuperscript{103} However, the Ordinance only empowers the Thai authority to scrutinize restrictive clauses contained in patent licensing agreements, not trademark licensing agreements or other technology licensing agreements.\textsuperscript{104}

Another problem is that the Thai Registrar is not empowered by specific legislation to scrutinize restrictive clauses included in trademark licensing applications. This is because Thailand has neither a technological development policy nor a competition policy that is sufficiently clear to be translated into law. However, in order to more actively intervene in international trademark licensing agreements, the Thai authorities could adopt the BIRPI Model Trademark Law Section 24: Invalid Clauses in License Contracts of the WIPO Model Law for Developing Countries on Marks, Trade Names and Act of Unfair Competition.\textsuperscript{105} The aim of this Section is "to prevent the licensor from imposing upon the licensee restrictions, in the industrial or commercial field, which are not based on the exclusive rights conferred by the registration of the mark."\textsuperscript{106} In essence, adopting Section 24 would provide a form of antitrust or antimonopoly law,\textsuperscript{107} which Thailand does not currently have.\textsuperscript{108} An explanatory note to Section 24, subsection (2) gives some examples of restrictions which are lawful. These are considered by authorities in most countries to be lawful restrictions.\textsuperscript{109}

\textsuperscript{103} See WORLD INTELLECTUAL PROPERTY ORGANIZATION, supra note 29, at 294-295. There are 17 restrictive clauses that WIPO suggests developing authorities to order the licensing parties not to include in an international patent agreement or if already included be deleted. The Thai drafters adopted 15 of them (excluding No. 1 and 2) by translating them into Thai word for word.

\textsuperscript{104} Major Issues in Trademark Licensing, supra note 7, at 216.

\textsuperscript{105} MODEL LAW FOR DEVELOPING COUNTRIES ON MARKS, TRADE NAMES, AND ACTS OF UNFAIR COMPETITION, supra note 6, at 55.

\textsuperscript{106} Id. A good explanation of "the exclusive rights conferred by the registration of the mark" can be found in OECD's Report of the Committed of Experts on Restrictive Business Practices which reads: "The exclusive rights conferred by the registration gives protection to a distinctive name, symbol or device used in connection with products or services to identify their commercial source and to enable customers to distinguish products and select those which measure up to expected standards of quality and performance. Trademark law prevents others from using a confusing similar mark on competing goods, thereby protecting purchasers from confusion, mistake or deception about their source or sponsorship. Trademark rights may not be used to prevent others from making a product or from selling it under a non-confusing mark. Thus, the trademark is less extensive and less absolute than that available under the patent law." ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT, RESTRICTIVE BUSINESS PRACTICES RELATING TO TRADEMARKS 9 (1978).

\textsuperscript{107} MODEL LAW FOR DEVELOPING COUNTRIES ON MARKS, TRADE NAMES, AND ACTS OF UNFAIR COMPETITION, supra note 6, at 55.

\textsuperscript{108} The official comments to this Model Law point out that countries that do not have general antitrust or antimonopoly statutes to protect free competition would find this section useful. Id.

\textsuperscript{109} Id.
However, if the Thai authorities wish to adopt Section 24, they should appoint an interdisciplinary group to study the application of the Japanese Fair Trade Commission Guidelines since 1968 along with the Korean Economic Planning Board decree No. 50. These countries' experiences may provide guidelines that are helpful to the present economic and technological stage of Thailand.

In order to achieve the objective of modernizing its trademark law, the Thai government should adopt specific guidelines (such as BIRBI Section 24) to set criteria for screening restrictive clauses. Finally, in order to put the Thai Trademark Act in line with similar acts in other modern nations, the Thai authority should delete the following: "... and is not contrary to public order, morality, or public policy," from Section 69 as well as "is contrary to public order, morality, or public policy" from Section 72. This would make the law more clear by removing some of the Registrar's discretionary powers. These deletions would not harm the public, as individuals could still use the Civil Code to prevent agreements that are contrary to public order, morality, or public policy.

V. CONCLUSION

The New Thai Trademark Act is an improvement over the previous Act. However, revisions still need to be made. Currently, there is insufficient protection for consumers. Also, the Registrar's powers provide too much flexibility, which may lead to irrational and inconsistent decisions. By studying the trademark laws and experiences of other nations, Thailand may improve its current laws, and bring itself more in line with its major international trading partners.
APPENDIX: §§ 68 TO 79 OF THE 1991 THAI TRADEMARK ACT

PART 5
LICENSE TO USE TRADEMARK

Section 68  The proprietor of a registered trademark may grant a license to other persons to use his trademark for any or all of the goods for which it is registered.

The trademark license agreement according to paragraph 1 must be made in writing and must be registered with the Registrar.

The registration of a trademark license agreement according to paragraph 2 shall be applied for in accordance with the rules and procedures prescribed in the Ministerial Regulations. But the application for the registration thereof shall at least provide the following particulars:

(1) The conditions and terms of agreement made between the proprietor of the trademark and the applicant to be the authorized licensee, which conditions must actually enable the former to control the quality of the goods manufactured by the latter;
(2) The goods on which the licensed trademark is used.

Section 69  If, in the opinion of the Registrar, the agreement according to Section 68 does not deceive or cause confusion to the public and is not contrary to public order, morality, or public policy, the Registrar shall issue an order accepting such agreement upon such conditions or limitations as he thinks fit for the sake of the public. Otherwise, the Registrar shall issue an order rejecting the licensing agreement.

When the Registrar has issued a definite order according to paragraph 1, he shall notify the proprietor and the applicant licensee in writing thereof without delay. In the event that the Registrar accepts the agreement upon certain conditions or limitations or rejects the same, the Registrar shall accordingly notify such persons stating his reasons for accepting or rejecting the agreement.

The proprietor of the trademark or the applicant licensee shall have the right to appeal against the Registrar’s [order?] according to paragraph 1
to the Board within ninety days from the date of receipt of the Registrar's notification, otherwise the Registrar's order shall be final.

The Board's decisions on the appeal as stated in paragraph 3 shall be final.

Section 70 The use of the trademark by the authorized licensee in conducting his authorized business activities shall be considered to be the use of the trademark by the proprietor.

Section 71 The Proprietor of the registered trademark and the authorized licensee may jointly request the registrar to enter changes on the registration of trademark license agreement with regard to the goods on which the licensed trademark is used or to the conditions or limitations imposed in the licensing agreement by the proprietor. The provisions of Section 69 shall apply mutatis mutandis.

The application for entering changes on the register of licensing agreements shall be in accordance with the rules and procedures prescribed in the Ministerial Regulations.

Section 72 The proprietor of the trademark and the authorized licensee may jointly request the Registrar to cancel the registration of a trademark license agreement.

The proprietor of the trademark or the authorized licensee may request the Registrar to cancel the registration of a trademark license agreement if he can show that the agreement has already been terminated.

Any interested person or the Registrar may request the Board to cancel the registration of trademark licensee if he can show the following:

1. The use of the trademark by the authorized licensee deceives or causes confusion to the public or is contrary to public order or morality or public policy, or
2. The proprietor of the trademark is no longer able to actually control the quality of the goods bearing the trademark.
The cancellation of the registration of a trademark license agreement shall be in accordance with the rules and procedures prescribed in the Ministerial Regulations.

Section 73 When a request as stated in Section 72, paragraph 2 or paragraph 3 has been made, the Registrar or the Board, as the case may be, shall notify the proprietor of the trademark or the authorized licensee in writing thereof, as the case may be, in order that he can furnish his clarification within the specified time which is not less than fifteen days and not more than sixty days from the date of receipt of the Registrar's or the Board's notification, as the case may be.

Taking into consideration the request as mentioned in Section 71 or 72, the Registrar or the Board, as the case may be, shall have the concerned persons give further evidence or provide clarifying statements.

Section 74 When the Registrar has issued the order according to Section 72, paragraph 2, he shall give a written notice thereof together with his reasons for issuing such order to the proprietor of the trademark and the authorized licensee without delay. The said order shall come into force from the date of receipt of the Registrar's notification.

The proprietor of the trademark or the authorized licensee shall have the right to appeal the Registrar's order, as stated in paragraph 1, to the Board within ninety days from the date of receipt of the Registrar's notification. The Registrar's order shall be final if the appeal has not been made within the specified time.

Section 75 When the Board has issued the order according to Section 72, paragraph 3, the Board shall give written notice thereof, together with the reasons for issuing such order, to the proprietor of the trademark and the authorized licensee without delay. The said order shall come into force from the date of receipt of the Board's notification.

Any interested person or the Registrar shall have the right to appeal the Board's order as indicated in paragraph 1 to the Court within ninety days from the date of receipt of the Board's notification. The Board's order shall be final if the appeal has not been made within the specified time.
Section 76  In the event of the cancellation of a trademark registration, the license to use such trademark shall become null and void.

Section 77  In the absence of any provision in the trademark license agreement to the contrary, the proprietor of the trademark shall have the right to use such trademark or he may authorize any other person to use the same in addition to the authorized licensee.

Section 78  In the absence of any provision in the trademark license agreement to the contrary, the authorized licensee shall have the right to use the trademark throughout the country for all the goods in respect of which registration has been made during the validity of the registration of that trademark, including of any renewal of its registration.

Section 79  In the absence of any provision in the trademark license agreement to the contrary, the authorized licensee shall not transfer the authorization thereunder to any third person, nor sublicense any other person to use the trademark.