

Thailand's New Optical Disc Control

As Asia struggles with flagrant copyright infringement through the counterfeiting of optical media discs, those jurisdictions are beginning to introduce new legislation to help combat the problem. Areeya Ratanayu and Suebsiri Taweepon of Tilleke & Gibbins look into Thailand's new law designed to tackle the issue.



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Historically, the most suitable means for copyright owners to seek redress against infringers in Thailand has been to utilize the specific enforcement mechanics codified in the Copyright Act of 1994. Fortunately, the remedies

available under that legislation provide troubled copyright owners with some ability to pursue either criminal action or to initiate civil cases. Nevertheless, despite the availability of these remedies, and the relative ease of engaging the assistance of enforcement authorities, copyright infringement has become widespread and today represents a significant burden for the government as it seeks to modernize the Thai economy through its promotion of the benefits of a knowledge-based society.

Perhaps more than most other business industries within the copyright sector, the record and music, motion picture, entertainment software and business software industries have been significantly damaged by the recent increases in copyright infringement. If one were to identify the exact reasons why these industries have begun to suffer so much, one has merely to look at the huge strides that have been made in digital technology in terms of affordability of computer and duplication equipment, but also in the rise in importance of digital technology to the copyright sector. Whereas in the past copyright works would have been distributed on analogue-tape media, reproduction was expensive, time consuming and the quality was never as good as the original. The advent of digital technology has changed that.

Today, a significantly large proportion of copyright infringement resides in the unauthorized reproduction on optical disc media such as CDs, DVDs, LDs and VCDs. Whilst the Thai enforcement authorities made significant progress in conducting raids against optical disc counterfeiters in 2004, the widespread availability of counterfeits remains. In its Special 301 Report to the US Trade Representative earlier this year, the International Intellectual Property Alliance reported that optical disc piracy is surging in Thailand with over 157 optical disc production lines churning out almost 550 million discs, greatly exceeding the estimated legitimate demand of approximately 60 million discs.

Copyright owners trying to combat this level of optical disc piracy have struggled. Most enforcement efforts has been concentrated on small infringers such as street vendors and distributors, who are frequently unable to retain legal advisors, let alone compensate the copyright holder when found to be guilty of infringement. Many of these street vendors are mere fronts for more organized and well-financed criminal syndicates operating large production lines hidden in the residential areas or disguised as legitimate places of manufacture. With an almost endless supply of replacement street vendors ready to take the place

of arrested infringers the difficult cycle of enforcement continues in a seemingly endless war between infringers and law enforcement. Given that the current state of technological advancement favors the pirate rather than the creator, there is need for more appropriate legislation that would enable the control and monitoring of optical disc production. Before Thailand finally enacted its new laws, countries such as Malaysia and Taiwan had already enacted legislation to facilitate the monitoring and control of optical disc media, effectively creating legal requirements that greatly facilitated clamping down on unauthorized discs.

New CD Product Manufacturing Act

After many years of legal wrangling, the CD Product Manufacturing Act B.E. 2548 (A.D. 2005) which prescribes a set of legal requirements for optical disc production, import of equipment, and the procurement of raw-materials received royal approval on May 22 2005 and came into force on August 29 2005. It heralds what is hoped to be an about-turn in Thailand's battle against the optical disc pirates.

Nevertheless, the passage of the new law was not without its difficulties and, in its final enacted form is still not as strong as what had been initially tabled. In bill form, the legislation had received approval from the Senate and was forwarded to the King for Royal Consent as far back as May 2004. Despite this, certain sections of the bill were put under close scrutiny by opposition members who instigated a court review of the legislation to determine the constitutionality of a number of sanctions in the legislation. In particular, the section permitting enforcement officials to confiscate optical disc production equipment located at a factory (where it was determined that there was a failure to comply with the various notification requirements of the legislation) was claimed to be unconstitutional. Optical disc production equipment is invariably expensive, and it was felt by the court petitioners that the confiscation of such expensive equipment was a disproportionate punishment in light of the offence. At the same time, a group of copyright owners argued that a number of provisions requiring, for example, that copyright owners also comply with various notification requirements were unconstitutional, in contravention of the Berne Convention and the TRIPs Agreement. The result of these challenges was the resubmission of a significantly diluted bill to Parliament for reconsideration.

On February 1 2005 Thailand's Constitutional Court struck down as unconstitutional the provision permitting the confiscation of optical disc production machinery for failure to comply with the notification requirements under the legislation.

Framework of the New Legislation

The framework established by the new law is premised on a notification system under which manufacturers must notify the authorities of their

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intention to manufacture discs. Copyright owners wishing to obtain disc production services must similarly notify officials of their intention to obtain such services.

The legislation seeks to control the movement of production equipment by requiring the notification of sales, distribution or transfer of optical disc production machinery in addition to the acquisition and possession of raw materials to be used in pressing discs. Importantly, the legislation introduces a system of "marking" with manufacturers obliged to apply manufacturing certification marks on discs manufactured by them which will ultimately facilitate the tracking of discs to their origin. The most salient features of the legislation are now explained:

Notification of Manufacturing & Manufacturing Certification Mark

Section 5 of the Act is the main provision. It obliges those who wish to engage in the manufacture of discs to file a report *before* they commence production. For a copyright owner wishing to engage in manufacturing or who wishes to hire a person to perform such manufacturing services, that copyright proprietor must also file a report with the authorities. An exception exists where the act of manufacture or retention of manufacturing services is conducted for educational purposes, for the benefit of government authorities, in the public interest, or for the conservation of national cultures and arts. These exceptions are to be prescribed by Ministerial Regulation.

Once the formalities have been properly complied with, a manufacturing certification mark is issued to the manufacturer or copyright owner. This mark must be displayed on the optical disc product. Production of the discs should not commence until after the date of receipt of that manufacturing certification mark. The manufacturing certification mark will be similar in effect to the Source Identification Code (SID) system, which is a CD replication industry standard for marking manufactured discs with unique codes to enable the origins of the disc to be traced.

Manufacturers' 'Duty to Display'

Apart from the duty to notify authorities of pending production activities, manufacturers are also required to display a specialized notice in a conspicuous location at their production facilities highlighting the fact that production has been authorized. The manufacturer must also maintain records in the form of a detailed list setting out production quantities, details of sales and distribution, and details of the optical discs manufactured. One of the most important of the various "duties to display" is the obligation to ensure that each optical disc produced displays the manufacturing certification mark (SID code) and an original work certification mark. The original work certification mark is issued to the manufacturer once the copyright owner has notified the authorities of his intention to obtain optical disc production services.

Possession of Machinery & Plastic Pellets

The law not only applies to manufacturers and copyright owners, but also equipment and raw material providers. Whoever acquires or possesses machinery is obliged to report this fact within 30 days. According to the Ministerial Regulation, machinery includes both the "main machine" and "equipment", which are defined as follows:

'Machine' includes:

- Stampers;
- Injection Machines, and
- Printing Machines.

'Equipment' includes:

- Signal Processing Systems for Laser Beam Recorder;
- Equipment for Spin Coating Glass Masters with a Photo Resist or Non Photo Resist Layer for Laser Beam Recorder;
- Metalisers for Laser Beam Recorder;
- Integrated Optical Disc Replication Lines;
- Moulds;
- Metalisers for Applying a Reflective Layer to Optical Disc;
- Equipment for Spin Coating Optical Discs with a Lacquer Coating; and
- Machinery for Bonding System.

In addition, whoever sells, distributes, or transfers machinery must report this fact to the Director-General of DIP within seven days. For a person in possession of plastic pellets or any other raw materials for use in optical disc manufacturing, such person must report the category, type, quantity and place of storage of the plastic pellets or any "relevant raw material" within 30 days from the date of acquisition. The Ministerial Regulation defines "plastic pellets" as meaning 750 gram optical grade polycarbonate. The use of the broad language "relevant raw material" allows the law to capture any future types of material that may be used in the manufacture of optical discs.

Who are the authorities?

In carrying out the duties under this Act, the Ministerial Regulation provides that the Competent Officer shall be at minimum a Class-three government official of the Department of Intellectual Property or a Class-three government official of the Provincial Ministry of Commerce Department.

The Competent Officer is authorized to enter into the place of manufacturing between sunrise and sunset or during the time of manufacturing at the location for the purpose of inspection. The Officer can order any person to present a statement or to open books of account, documents, or other evidences for inspection if such inspection would appear beneficial or if it will yield evidences in proving a commission of an offence under the Act.

Penalties

Manufacturers who fail to notify authorities of the manufacture (or who fail to notify of any changes in place of business) may be subjected to a term of imprisonment for a term not exceeding one year together with a fine not exceeding Bt200,000 (approximately US\$5,000). Failure to correctly display required notices on manufacturing premises and failure to adequately prepare inventory lists and other records may also be subjected to fines up to Bt10,000 (approximately US\$250) and Bt100,000 respectively.

Failure by copyright owners to comply with the requirements under the Act may also expose themselves to sanction. For example, a failure to file the required notice of intention to manufacture optical discs or notice

of the appointment of a manufacturer hired to perform such services is punishable with fines of up to Bt200,000. Failure to affix a manufacturing certification mark will attract a fine not exceeding Bt200,000.

A welcome inclusion in the legislation is a provision which permits the doubling of punishment for recidivists who re-offend within five years.

The Future

The purpose of the new legislation is to control mass production of optical discs in order to deter and prevent production capacity used for illegal means. Strict supervision by authorities should reduce leakage of unauthorized discs to the market, and create a level of deterrence for potential infringers.

Unfortunately there are a number of weaknesses with the legislation, the most glaring being the absence of the ability to confiscate equipment from infringers. Whilst such a provision appeared in the earlier drafts of the legislation and was ultimately withdrawn on constitutional grounds, it is unfortunate that more severe monetary fines were not included. The current level of fines and terms of imprisonment are significantly lower than for other intellectual property violations, notwithstanding the fact that optical disc piracy is one of the most problematic areas of infringement in the country today. It is also clear that the legislation now places a very firm onus on copyright owners to ensure that when they are availing of legitimate services in Thailand they will need to be extra vigilant to ensure that they have complied with the law's notification

requirements. The inclusion of such obligations on copyright owners is also unfortunate as it may have a chilling effect on the legitimate domestic industry who may find that copyright owners are attracted to other jurisdictions.

Nevertheless, despite these various limitations, the legislation is welcome in so far as it adds to the armament to be used against infringers in Thailand, a fact that will hopefully see a reduction from the current elevated levels of optical disc infringement.

About the Authors

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Tilleke & Gibbins INTERNATIONAL LTD.

BANGKOK, THAILAND

OUR INTELLECTUAL PROPERTY PRACTICE

- has been voted by its peers and clients all over the world as the Number One IP firm in Thailand in separate surveys conducted by Managing Intellectual Property magazine and AsiaLaw magazine.
- prides itself on being a one-stop shop for any client's needs for IP services, including registration, litigation, enforcement and licensing.
- include a former Judge of the Central Intellectual Property and International Trade Court (IP&IT Court), the current President of the Intellectual Property Association of Thailand, a guest law lecturer with the Faculty of Commerce at Chulalongkorn University, and a retired General of the Bangkok Metropolitan Police Department.

OUR RECENT ACHIEVEMENTS

- Lead counsel in defense of Carlsberg A/S in UNCITRAL International Commercial Arbitration involving a US\$500 Million claim for alleged wrongful termination of license agreements.
- Lead external counsel for PRMA, the Pharmaceutical Research and Manufacturing Association in Thailand, advising PRMA on pharmaceutical and US-Thailand Free Trade Agreement legal issues, including patent, data exclusivity and market access issues.
- T&G's specialized high-tech enforcement team continues to be in the forefront of representing software developers, protecting their copyrighted software code through vigorous enforcement actions. To date, settlements in compensation and purchases of licensed software exceeding US\$3 million have been obtained from copyright infringers.

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