

# Limitations to Patent Rights in Thailand



## ASEAN Intellectual Property Association

<http://www.aseanipa.org>

### Patent revocation

The Director-General may request for the Board to cancel a patent in the following cases: (1) when 2 years after the issue of the license, the patentee or the licensee under the license has neither manufactured the product nor applied the process under the grant in the Kingdom for no appropriate reason; or for the time being, the product under the patent or the product manufactured by the process thereunder is neither being sold nor imported for sale or it is being sold at an unreasonable price and (2) when the patentee has licensed other persons to exercise the rights in the patent in violation of Section 41, which states that the license contract and the assignment of a patent must be in writing and registered in compliance with the requirements, procedures and conditions prescribed by the Ministerial Regulations.

### Prior user's rights

An invention may form a part of the state of the art by its 'prior use', which would result in it lacking novelty for the purpose of a patent. Therefore, the prior user of a technology may often have grounds to oppose a third parties' patent application, to the extent that the claimed invention extends to use/technology practiced by the prior user in advance of the priority date of the application for patent.

However, if the prior use is 'private use', then the invention would not be considered as state of the art, because it would not have been widely known. Thus, a private use would not provide grounds for an effective attack on the validity of a disputed patent.

As mentioned earlier, Thailand's patent system employs an 'absolute novelty standard', meaning that 'prior use' and/or 'prior publication' in any country may be used to determine if the invention is widely known. In Thailand, a prior user would not have the right to attack the validity of a patent by claiming that it had used the underlying technology/process in secret, before the filing date of the patent application, because use of the invention by the prior user did not cause the invention to become widely known.

### Compulsory license

In certain instances, the non-use of a patent, subsequent to the granting of a compulsory license, may result in that patent being removed from the register. Accordingly, for this type of invalidity to exist, a compulsory license, in respect to the subject patent, must have already been awarded.

1. At any time after the expiration of 3 years from the granting of a patent, or 4 years from the date of application, whichever

is later, any person may apply to the Director-General for a license, if it appears that at the time when such application is filed, the patent holder has not applied his rights (Section 46 of the Thai Patent Act B.E. 2542).

2. If the exercise of the patent rights of one party (the junior patentee) may infringe another patentee (the senior patentee) provided that:
  - the junior patentee's invention must be a substantial technological advancement which is beneficial to the economy, compared to the invention under the patent for which the license is being sought;
  - the senior patentee receives a cross-license to exploit the junior patentee's patent rights; and the junior patentee shall not assign the legal license to anyone, unless it is as an assignment together with his own patent (Section 47 and Section 47 bis of the Thai Patent Act B.E. 2542).
3. A Ministry or a Department may exploit an exclusive right by itself, or by designating another person in a patent, for the benefit of public utilities or national defence; the preservation or acquisition of natural resources or the environment; the prevention of a severe shortage of food or medicine, or other necessities for living or other public interests (Sections 51 and 52 of the Thai Patent Act B.E. 2542).

However, the applicant for a license must show that he made an effort to obtain a license from the patent holder, by proposing conditions and royalties that are reasonable under the circumstance, but no agreement could be reached within a reasonable period.

### Government uses

To carry out any service for public consumption, or which is of vital importance to the defence of the country, or the preservation or acquisition of natural resources or environment, or to prevent or alleviate a severe shortage of food or medicines, consumer goods and other foodstuffs, or for the sake of other public interests, ministries, bureaus and department of the government themselves, or through others, may exploit any invention under any patent. However, in doing so, a royalty must be paid to the patentee or exclusive licensee, and the patentee shall be informed in writing without delay.

In addition, with approval of the cabinet, the prime minister shall have, during a state of war or emergency, the power to order exploitation of any invention under any patent for the defence and security of the country, on paying an appropriate royalty to the patentee, and the patentee shall be notified without delay.

Under these circumstances, the ministry, bureaus or department shall submit its offer, setting forth the amount of royalty and conditions for exploitation, to the Director-General. The patentee is entitled to appeal such an order or the amount of royalty to the court within 60 days from the date of receipt of such order.

### Termination of protection

The Director-General may ask the Board to revoke a patent: (1) if 2 years after the issuance of the license, the patentee or licensee has not manufactured the product, or applied the process under the patent in the Kingdom, or for the time being, the product is not being sold or imported for sale, or it is being sold, but at an unreasonable price or (2) if the patentee has licensed other persons to exercise the rights in the patent, without conforming to the prescribed procedures.

### Other cases

The following acts are not considered to be an infringement of a patent:

1. Any act in the interest of education, analysis, experimentation or research, provided that it is not contradictory to the patent holder's ordinary course of use, and does not cause damage to the patent holder's rightful benefits beyond appropriate reasons.
2. Manufacture of patented products or application of the patent process wherein the manufacture or the user, in good faith, has engaged in the production, or has acquired the equipment before the date of filing of the application in Thailand, without the knowledge of the registration, or without there being suitable grounds for him to know the same.
3. Compounding of medicines, in accordance with a physician's prescription, by a professional pharmacist or by a medical practitioner, including handling of the said products.
4. Any act connected with an application for drug registration, wherein the applicant intends to produce, sell or import the patented medical products after the expiry of the patent.
5. The use of an instrument, which is a patented invention, with a ship, machinery or other equipment of a ship from a member country of an international convention or treaty for patent protection to which Thailand is a party to when the ship entered the Kingdom, temporarily or by accidentally, and it is necessary that the instrument be used with the ship.
6. The use of an instrument, which is a patent invention, for the building operations relating to an aircraft, or with other equipment of an aircraft, or any vehicle from a member country of an international convention or treaty for patent protection to which Thailand belongs when the aircraft or vehicle enters the Kingdom, temporarily or by accidentally.
7. The use, sale, possession for sale, offer for sale or import of patented products under the consent of the patent holder.

### Market Validated Technologies Directory

The Market Validated Technologies Directory is a compendium of a tedious and comprehensive market validation exercise on selected R&D outputs from seven public universities. The universities are Universiti Sains Malaysia (USM); Universiti Malaya (UM); Universiti Kebangsaan Malaysia (UKM); Universiti Putra Malaysia (UPM); Universiti Teknologi Malaysia (UTM); Universiti Islam Antarabangsa Malaysia (UIAM) and Universiti Teknologi MARA (UiTM). The exercise started in July 2012 and completed in September 2013. It involved 358 R&D outputs with a two-fold objective: validate market for and marketability of R&D outputs before the products (R&D Outputs) are offered to industry for commercial undertakings. The Market Validation exercise came about as the result of the introduction of Market Validation Fund (MVF) under Budget 2012 initiatives. The Fund's mandate is to "ensure commercial viability of products (R&D outputs) through market validation". By definition, market validation is the process of objectively evaluating the market for an offering and understanding the target market and required features before making the investment to build it and bring it to the market. The market validation exercise undertakings involve seven steps: Selection of R&D Outputs; Technology assessment; Operational assessment; Capability assessment; Market analysis (both primary & secondary data fieldwork); Model of commercialization including financial modeling, where appropriate and Recommendation for either Market-Go/Conditional Market-Go or No Go. The Market Validated Technologies Directory provides a brief and a snapshot on what the technology is about, the potential users, market; IP status; start-up requirements; ROI/IRR and recommendation for commercialization.

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# Voluntary licensing of patents in the Philippines



## The Intellectual Property Office, Philippines

<http://ipophil.gov.ph>

### REPUBLIC ACT NO. 8293

**SECTION 85. Voluntary License Contract** – To encourage the transfer and dissemination of technology, prevent or control practices and conditions that may, in particular cases, constitute an abuse of intellectual property rights having an adverse effect on competition and trade, all technology transfer arrangements shall comply with the provisions of this Chapter (n).

**SECTION 86. Jurisdiction to Settle Disputes on Royalties** – The Director of the Documentation, Information and Technology Transfer Bureau shall exercise quasi-judicial jurisdiction in the settlement of disputes between parties to a technology transfer arrangement arising from technology transfer payments, including the fixing of appropriate amount or rate of royalty (n).

**SECTION 87. Prohibited Clauses** – Except in cases under Section 91, the following provisions shall be deemed prima facie to have an adverse effect on competition and trade:

87.1. Those which impose on the licensee the obligation to acquire from a specific source capital goods, intermediate products, raw materials and other technologies, or of permanently employing personnel indicated by the licensor;

87.2. Those pursuant to which the licensor reserves the right to fix the sale or resale prices of the products manufactured based on the license;

87.3. Those which contain restrictions regarding the volume and structure of production;

87.4. Those which prohibit the use of competitive technologies in a non-exclusive technology transfer agreement;

87.5. Those which establish a full or partial purchase option in favour of the licensor;

87.6. Those which obligate the licensee to transfer for free to the licensor the inventions or improvements that may be obtained through the use of the licensed technology;

87.7. Those which require the payment of royalties to the owners of patents for the patents that are not used;

87.8. Those which prohibit the licensee to export the licensed product unless justified for the protection of the legitimate interest of the licensor such as exports to countries where exclusive licenses to manufacture and/or distribute the licensed product(s) have already been granted;

87.9. Those which restrict the use of the technology supplied after the expiration of the technology transfer arrangement, except in

cases of early termination of the technology transfer arrangement due to reason(s) attributable to the licensee;

87.10. Those which require payments for patents and other industrial property rights after their expiration, termination arrangement;

87.11. Those which require that the technology recipient shall not contest the validity of any of the patents of the technology supplier;

87.12. Those which restrict the research and development (R&D) activities of the licensee designed to absorb and adapt the transferred technology to local conditions or to initiate R&D programmes in connection with new products, processes or equipment;

87.13. Those which prevent the licensee from adapting the imported technology to local conditions, or introducing innovation to it, as long as it does not impair the quality standards prescribed by the licensor;

87.14. Those which exempt the licensor for liability for non-fulfilment of his responsibilities under the technology transfer arrangement and/or liability arising from third party suits brought about by the use of the licensed product or the licensed technology; and

87.15. Other clauses with equivalent effects (Sec. 33-C (2), RA 165a).

**SECTION 88. Mandatory Provisions** – The following provisions shall be included in voluntary license contracts:

88.1. That the laws of the Philippines shall govern the interpretation of the same and in the event of litigation, the venue shall be the proper court in the place where the licensee has its principal office;

88.2. Continued access to improvements in techniques and processes related to the technology shall be made available during the period of the technology transfer arrangement;

88.3. In the event, the technology transfer arrangement shall provide for arbitration, the Procedure of Arbitration of the Arbitration Law of the Philippines or the Arbitration Rules of the United Nations Commission on International Trade Law (UNCITRAL) or the Rules of Conciliation and Arbitration of the International Chamber of Commerce (ICC) shall apply and the venue of arbitration shall be the Philippines or any neutral country; and

88.4. The Philippine taxes on all payments relating to the technology transfer arrangement shall be borne by the licensor (n) cdt.

**SECTION 89. Rights of Licensor** – In the absence of any provision to the contrary in the technology transfer arrangement, the grant of a license shall neither prevent the licensor from granting further licenses to third person nor from exploiting the subject matter of the technology transfer arrangement himself (Sec. 33-B, R.A. 165a).

**SECTION 90. Rights of Licensee** – The licensee shall be entitled to exploit the subject matter of the technology transfer arrangement during the whole term of the technology transfer arrangement (Sec. 33-C (1), R.A. 165a).

**SECTION 91. Exceptional Cases** – In exceptional or meritorious cases where substantial benefits will accrue to the economy, such as high-technology content, increase in foreign exchange earnings, employment generation, regional dispersal of

industries and/or substitution with or use of local raw materials, or in the case of Board of Investments, registered companies with pioneer status, exemption from any of the above requirements may be allowed by the Documentation, Information and Technology Transfer Bureau after evaluation thereof on a case-by-case basis (n).

**SECTION 92. Non-Registration with the Documentation, Information and Technology Transfer Bureau** – Technology transfer arrangements that conform with the provisions of Sections 86 and 87 need not be registered with the Documentation, Information and Technology Transfer Bureau. Non-conformance with any of the provisions of Sections 87 and 88, however, shall automatically render the technology transfer arrangement unenforceable, unless said technology transfer arrangement is approved and registered with the Documentation, Information and Technology Transfer Bureau under the provisions of Section 91 on exceptional cases (n).

### Creative Productivity Index: Analysing Creativity and Innovation in Asia

This report presents the results and analysis of the Creative Productivity Index (CPI) for a select number of Asian economies. The CPI was built by The Economist Intelligence Unit. The Asian Development Bank (ADB) commissioned the work on developing the CPI as part of an overall study on Asia's knowledge economies. The report provides a benchmarking of a number of economies in Asia on creative productivity, an important attribute for strengthening knowledge-based economic development. This index gives policy makers a unique tool to assess how to foster creativity and innovation in Asia. Innovation-led growth is crucial for developing Asia to maintain and accelerate the pace of growth of its economies.

Following are the key findings of the CPI:

- Japan leads the CPI, followed by Finland and the Republic of Korea;
- Cambodia and Pakistan, with much room for improvement, are ranked lowest in the CPI;
- Singapore leads the CPI for innovation inputs;
- Finland and Hong Kong, China are best in the CPI for innovation outputs;
- Low- and middle-income economies will benefit most from policies to increase creative inputs; and
- There are many different dimensions of creativity that are captured in this report.

Many Asian developing economies face a challenge to avoid being stuck in the middle-income trap. They need to transition from an imitation-driven economy to an innovation-based growth model more commonly found in developed countries. Richer economies are clearly able to invest more in physical infrastructure such as transport networks, communications, and power generation, which are key underlying factors in economic creativity and innovation. However, some differences are a result of the enabling environment that facilitates the generation of creative outputs from creative inputs. A poorer country may not be able to muster the same level of creative inputs as a richer country, but can still benefit by using what resources it does have efficiently. While the precise policy recommendations will differ for each economy, the results of this report highlight a number of important policy areas where an increased emphasis would be beneficial for many Asian economies.

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