

Part IV

Problems and Challenges of Intellectual Property Systems in ASEAN

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Part IV

Problems and Challenges

of Intellectual Property Systems in ASEAN

CHAPTER 12

Summary of the Research

1. Problems and Challenges Concerning IP Systems in ASEAN Countries

1.1. Overall description

Although EU and US companies showed greater concern about IP-related issues before expansion to ASEAN than Japanese, Chinese, and Korean companies, the main factors considered by most companies before expansion were cost-related and market-related factors—‘labour cost’, ‘size and growth rate of GDP’, and ‘size and growth rate of the relevant market’. IP-related factors such as ‘level of legal development concerning intellectual property rights’ and ‘level of implementation and enforcement of intellectual property law’ were considered less before expansion. But after establishment of a new subsidiary, the order of concerns changed and IP-related factors were perceived as major issues. The overall tendency shows that among various IPRs, trademark-related issues, in particular, were of relatively great concern.

In this sense, IP and IP-related systems in ASEAN countries did not so much affect investment in ASEAN countries at the first stage. However, after subsidiaries were established in ASEAN countries, most companies faced problems with IP and IP-related issues. Indeed, the questionnaire response showed that all of the companies surveyed had experienced some kind of problems with their IP and IP-related systems in ASEAN countries. Some problems were serious and had something to do with the wide variety of IP issues covering patent, trademark, design trade secret, and other IP-related issues. Some of the companies were suffering from serious counterfeiting of products along with various types of infringement of their IPR. One of the multinational corporations (MNCs) described their experience as follows:

After establishment of subsidiaries in an ASEAN country, we suffered from many IPR-related problems including counterfeiting of products and an excessively long timeline for obtaining IPR. We could not get IPR to protect our business even though we applied for it long ago. Such situation hinders us from expanding our business into ASEAN countries.

Even in apparent misappropriated examination case, the burden of evidence is on the company’s side. We had to pay a considerable fee for the

lawsuit and for procedures of verification. Even though, we could not delete misappropriated trademark. In this situation, we cannot trust the function of trademark system in that country.

When encountering IP problems, we used to try to find the relevant IPR system to solve it in ASEAN. In ASEAN, even if the relevant legislative system was established, we often found that the system was not in fact operational. If we find it is not operational and there is no enforcement, we cannot do anything and feel disappointed.

This observation suggests that the problems with IP systems faced by companies may increase the withdrawals of subsidiaries in ASEAN countries. One of the possible conclusions is that a good IP system in ASEAN may not be so effective in terms of increasing investment, but effective in terms of sustaining investment in ASEAN countries. The results suggest that it is important for ASEAN countries to enhance the protection of IP, especially in terms of trademark and trade secret, to prevent the reshoring of foreign companies. Policymakers of ASEAN countries should understand the important effects of IP protection on actual business to keep consistent economic growth of their countries.

Of course, IP plays an important role in attracting investments, too. Our survey data shows that the IP departments of MNCs were highly involved in decision-making concerning expansion to ASEAN for 32 percent of headquarters. This was the case for the US and EU companies, in particular, with some 55 percent responding that their IP divisions were highly involved. Some of them had studied especially trademark issues in detail before deciding to invest in the country concerned (Thailand). According to the survey results, direct investment into ASEAN countries may be affected not only by other key economic factors but, to some extent, also by IP issues. Especially in US and EU companies, IP departments tend to be deeply involved in the decision-making process; they may, in fact, change their business model according to the IP protection level in the target country.

1.2. Lack of IPR information

Most companies that expanded to ASEAN faced a similar problem—it was difficult to get sufficient information about IP-related systems and paradigms. For example, many companies complained about a lack of clarity about the standards of IPR examination, the procedures of IPR examination, and the current status of a particular IPR application. IPR offices in ASEAN countries should establish a well-developed information system, including information about examination procedures, examination guidance and standard, and the current examination status of a particular application. In this regard, most companies strongly desired information in English.

Such a database and infrastructure that provides information is needed for companies to be able to access the appropriate information regarding IPR. The results of our interviews show that the lack of information is partly due to a lack of knowledge about IPR on the part of local agents. Some of the interviews revealed that local agents were not qualified to provide the relevant legal services due to their lack of specialised IPR knowledge, for example, on prior arts in the technology field, and on the preparation of the documents required for an application. These results show that to provide sufficient and high quality information for users, professional human resource development by the government, as well as the establishment of an IPR information system, is necessary.

1.3. Cost and timeline

According to the results of the interviews and questionnaire survey, the expense involved in obtaining IPR in ASEAN, especially that for trademark and patent, was regarded as too high. The costs involved are not just the payment to the patent office but also the cost of a local attorney and for translation. This means the total cost of going through the IPR process in ASEAN countries can turn out to be higher than in the US and Europe.

Apart from the cost issue, the long time it takes to obtain a patent, trademark, or design patent was a serious concern for most of the companies surveyed including the US, EU, Japan, China, and Korea. In some countries, when applying for a patent, the applicant had to wait for a decision from the US examination because it seemed the examiners waited for the examination result of the USPTO.

One chemical company surveyed submitted about 25 patent applications with the local patent office in 2005 and 2006, but had received only two licenses as of 2014. In some cases, the examination took more than 10 years. In a rapidly changing environment, the IPR system in such countries would not be helpful for business. Especially when the life cycles of products are short, if it takes so much time to obtain IPR, it is no longer necessary.

1.4. Enforcement

A number of ASEAN countries lack strong implementation and effective law enforcement of IPR law.

Most companies surveyed believed the negative impact of counterfeit products is strong and these should be eliminated by protecting IPR. Trademarks of consumer products in particular are likely to be infringed in most ASEAN countries and, after establishment, the damage caused by this is recognised as an important problem. Then effective measures of appropriate enforcement system are inevitable to address IPR infringement. Recent activities of counterfeiting producers are getting complicated such as the goods and the trademarks are separately entered into a country, and then combined together and sent into the market. To stop such infringement, ASEAN countries should adopt new strategies to curb the counterfeiting of goods, including use of police power.

1.5. Harmonisation

Many of the companies surveyed indicated that the harmonisation of patent examination systems is very important. Regarding trademark of ASEAN countries, for example, only the Philippines and Viet Nam are members of the Madrid Protocol. This means that although companies can use the Madrid Protocol to apply for trademark registration in the Philippines and Viet Nam, they must apply for trademark registration separately in other ASEAN countries. It would clearly be beneficial if ASEAN countries could harmonise their trademark registration system, including adherence to the Madrid Protocol. As for design protection, only Singapore and Brunei Darussalam are members of the Hague Agreement Concerning the International Registration of Industrial Designs.

1.6. Trade secret

In this study we found that many MNCs were concerned about trade secret protection systems in ASEAN countries. Overall, trade secret was one of the IPR issues the companies surveyed were most concerned about, alongside concerns about trademark protection, and more so than about patent protection, copyright protection, and others. This was an unexpected finding and an interesting result in terms of how we consider IPR in ASEAN. It also shows that trade secret protection is a major factor considered both before and after expansion. It indicates that many MNCs are involved in the transfer of their technology know-how to ASEAN countries, and particularly in the communication, chemical, and transportation fields, they are dependent on the protection of their trade secrets.

The survey results showed the increasing concerns of Asian companies about technology know-how and trade secret protection, implying that insufficient trade secret protection may lead to reshoring to their home countries. These companies are afraid that their trade secrets may leak to their competitors due to high labour mobility.

Strengthening the protection of know-how and trade secret is important for preventing the withdrawals of Asian companies established in ASEAN.

1.7. Other IP-related systems

EU and US companies in particular are highly concerned about IP-related systems, such as inadequate import and export controls of counterfeit goods, lack of a transparent and predictable tax system regarding transfer pricing, and inadequate control of license contracts and export controls on technology transfer. Asian companies have not attached great importance to these particular matters yet. However, an increasing IP awareness of Asian companies provides an opportunity to promote FDI by improving these IP-related systems as well as the IPR system itself.

1.8. IPR issues related to R&D activity

Some MNCs attached importance to the employee invention system in ASEAN countries. Recently, quite a few companies have been conducting R&D activities in ASEAN countries, particularly in Singapore. Stimulating R&D activities in ASEAN countries would foster innovation. In this sense, too, strengthening the IPR system in relation to R&D activity would be beneficial for economic growth.

2. Problems and Challenges Concerning the IP System in Each Country

In this survey, although the total number of respondents is less than 100, we have a certain level of information about the IPR situation in Indonesia, Singapore, Thailand, and Viet Nam. However, we had a very limited number of respondents from Malaysia and the Philippines. The inhomogeneity of respondents makes it difficult to accurately describe the differences between these countries. However, a rough analysis of each country is possible through the respondents' replies to the survey on the IPR situation of each country. According to the survey, Singapore has the most advanced IPR system of all ASEAN countries. The IPR systems of Thailand, Indonesia, and Viet Nam have considerable

problems, particularly with regard to enforcement. There are also countries, such as Myanmar, whose fundamental IPR system is still being developed.

The following are brief summaries of the problems and challenges concerning the IP system in each country.

2.1. Singapore

Our study suggests that there is no major problem with the IP system in Singapore, except for a relatively weak enforcement system, especially regarding border controls, as some of the companies surveyed pointed out. Singapore has a relatively high number of IPR specialists. Compared with other ASEAN countries, Singapore was perceived by the companies surveyed as relatively attractive as its overall IP system is sound by international standards.

Recently, Singapore has been attracting companies for R&D activities as it has a good supply of talented researchers and engineers. This is probably the reason its employee invention system is more improved than that of other countries.

However, due to the small size of Singapore's market, many companies have no incentives to file their patent rights there. Nonetheless, if Singapore can take the leadership in establishing a harmonised IP system within ASEAN, MNCs would be very keen to establish their Asian base in Singapore. In this sense, Singapore can potentially become ASEAN's IP hub.

2.2. Thailand

Regarding patent- and trademark-specific issues, high cost and an excessively long and complicated timeline for obtaining IPR were a bigger concern for companies surveyed in Thailand than in other ASEAN countries. Some companies complained about examination periods of over 10 years and high costs, including local agent fees and translation fees. Patent injunction and patent damages are also issues companies were more highly concerned about in Thailand than in other ASEAN countries. Improvement of the IPR system and the examination capacity in particular is highly needed to attract further sustainable direct investment to Thailand. Moreover, greater harmonisation efforts, such as becoming a member of the Madrid Protocol, is also highly desirable.

2.3. Indonesia

Law enforcement and timeline for registration of IPRs were some of the most frequently

mentioned problems by MNCs surveyed regarding the IP situation in Indonesia. It is clear that solving these problems are likely to encourage MNCs to expand their business in the country. Enhancement of IP information system and lack of enforcement are the key areas that could support enhancement of Indonesia's IP system according to the survey respondents. Moreover, the trade secret protection system was of greater concern to the companies surveyed than in other ASEAN countries. Greater harmonisation efforts, like becoming a member of the Madrid Protocol, was also strongly desired by survey respondents.

2.4. Viet Nam

Issues of concern in Viet Nam are similar to those for other ASEAN countries, but some of the companies surveyed rated Viet Nam's IPR system and IPR enforcement higher.

2.5. Other ASEAN countries

Many other ASEAN countries still need to improve their IPR systems considerably or fundamentally. For example, Myanmar is still constructing the fundamentals of its IPR system. Tentatively, 'Cautionary Notice' based on 'Registration Act' is used to protect trademark. Other ASEAN countries and advanced countries should support the establishment of fundamental IPR systems in CLMV countries (Cambodia, Lao PDR, Myanmar, and Viet Nam) first of all.

CHAPTER 13

Recommendations

The Association of Southeast Asian Nations, or ASEAN, was established on 8 August 1967 in Bangkok, Thailand, with the signing of the ASEAN Declaration. The 10 member states of ASEAN are Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Viet Nam. Although they are all part of the Southeast Asian region, their history, culture, and language are quite different. Their economies, too, have big differences, with gross domestic products (GDPs) ranging from USD8.3 billion USD847 billion.

One of the aims of ASEAN is to accelerate economic growth and promote active collaboration on matters of common interest in economic areas. Establishment of a common intellectual property right (IPR) system in ASEAN should contribute to accelerating economic growth in the region. The development of a regional intellectual property (IP) system has been conducted through the ASEAN Working Group on Intellectual Property Cooperation (AWGIPC), which was established in 1996 by the ASEAN Framework Agreement on Intellectual Property Cooperation. Since 2004, the AWGIPC's work has been based on the IPR Action Plan 2004–2010 and the Work Plan for ASEAN Cooperation on Copyrights.

The IPR Action Plan 2004–2010 aims to:

- (1) Help accelerate the pace and scope of IP asset creation and commercialisation, and the formation of domestic and cross-border linkages in S&T fields and R&D activities.
- (2) Harmonise an enabling IPR registration, protection, and enforcement framework of policies and institutions in ASEAN.
- (3) Promote greater public awareness, and build up human resources and institutions relating to IP and IPR in ASEAN.
- (4) Further empower national IP offices in the collaborative provision of BDS in support of the above objectives.

The currently active IPR Action Plan 2011–2015 was based on Action Plan 2004–2010.

Our observations on multinational corporations (MNCs) and the results of this survey have directed attention to the IPR Action Plan and the following recommendations of this report are in line with it.

To promote foreign direct investment (FDI) in ASEAN to boost economic growth, we recommend that all countries formulate and implement laws and policies that ensure appropriate levels of IP protection and more effective IP enforcement. The following recommendations are derived from the conclusions of our study.

1. Reliable System and Effective Enforcement

Uncertainty about the IPR application process and IPR enforcement is a serious issue for the players of increasing FDI. Inconsistencies in law enforcement and corruption of the process are highly damaging. Policymakers and governments should pay attention to these issues as much as possible at the beginning of the improvement process.

Counterfeiting is a serious and critical problem because it may destroy business. Recently, the routes and methods of producing counterfeit products and putting them on the market have become more complicated and sophisticated. Criminal and civil sanctions are effective to prevent wilful counterfeiting. Customs controls should be in the front line of preventing such IPR infringing goods from entering the ASEAN market. Police power is also important to prevent counterfeiting of products and piracy.

To be able to establish the necessary effective enforcement systems, all countries and ASEAN need a special organisation with skilled professionals. Policymakers and governments should pay greater attention to this issue to improve the situation. Governments of advanced countries too should support the establishment of reliable IPR processes and enforcement mechanisms in ASEAN.

2. Transparency of the System

Insufficient information about the IPR system may cause mistrust by companies that had established, or are planning to establish, subsidiaries in ASEAN. High quality information about the standard of IPR examination, the procedure of IPR examination, current status of a particular IPR application, and others should be provided on time. IPR offices in ASEAN countries should establish a well-developed information system and governments of advanced countries should support the establishment of a reliable IPR information providing system in ASEAN.

3. IPR System and Enforcement as a User-friendly Service

Excessively long and complicated timelines to obtain IPR are some of the main issues of annoyance and concern regarding IPR for companies that are considering investing or have invested in ASEAN countries. However, as the resources of patent offices are limited, improving the situation immediately may be difficult.

Such concerns are reasonable because companies intend to protect their products by obtaining IPR in a timely fashion. Otherwise, they have to carry out their business activities without any IPR protection. Especially in cases of products with a short life cycle, long and complicated timelines to obtain IPR become more serious. Companies request the local patent office to decide on their applications as soon as possible. Although it is not easy for the patent office to shorten the decision process, it should at least respond to requests for accelerated process. Appropriate decisions at the early stage of processing directly lead to protection of business and contribute to the economy.

Cost issues are similar to timeline issues. Recently, not only large companies but also many small and medium enterprises have been establishing subsidiaries in ASEAN countries. Reasonable timeline and cost of IPR are necessary elements of a user-friendly IPR service, not only for existing users but also for potential users. Government and related organisations should take appropriate actions to provide user-friendly service to meet the real demands of business.

4. Greater Harmonisation of IPR in ASEAN

The current situation regarding IPR in ASEAN is very diverse, as there is big difference in the IPR situation between Singapore and Myanmar. Because of the large disparities between countries, it may be unrealistic to unify all their systems into one ASEAN system. Nevertheless, ASEAN countries can regard the harmonisation issue as an opportunity to understand each other and to solve problems together. During the discussions, ASEAN countries will find down-to-earth solutions for harmonisation. It can be achieved not only by changing the whole system but also through other options.

Among others, ASEAN countries should join some of the important international treaties, such as the Madrid Protocol and the Hague Agreement Concerning the International

Registration of Industrial Designs, as one appropriate course of action.

Second, the ASEAN Patent Examination Co-operation (ASPEC), which is the first regional patent work-sharing programme among nine ASEAN countries, is expected to harmonise the substantial examination. This programme aims to share search and examination results between the participating offices to allow applicants in participating countries to obtain corresponding patents faster and more efficiently. The programme is expected to reduce duplication of search and examination work carried out, thereby saving time and effort. However, so far there have been few users, possibly because the programme is not known to most potential users. ASEAN should provide sufficient information about ASPEC to help support this programme. The role of the Singapore patent office, which is expected to operate as the hub of the system, is very important. In this sense, from the viewpoint of potential users, the level of the IPR system and enforcement of the Singapore patent office will be evaluated as the reliability of ASPEC.

Third, the patent offices in ASEAN countries should learn from the patent examination information highway established by three offices (US, EU, Japan) or by five offices (US, EU, Japan, Korea, and China) to study the practical measures towards substantial examination harmonisation as well as effective international cooperation.

5. Stronger IPR as an Innovation-driven System

ASEAN countries are expected to grow their economies by a strong innovation policy as Japan, Korea, and China have adopted strong innovation policies and grow their economies to last several decades. From the experiences of these other countries, the first key issue is how to develop a high quality manufacturing industry. Development of a manufacturing industry contributes to creating local jobs and increasing GDP. Technology protection through patent, utility model, and trade secret protection are relatively more important than other IPR issues to attract such manufacturing industry.

We recommend strengthening such IPR protection in ASEAN countries, which should contribute to promoting domestic technologies and induce FDI to establish local manufacturing subsidiaries. Accordingly, we recommend that ASEAN governments cooperate closely with US, EU, Chinese, Japanese, and Korean companies to promote their domestic technologies, which would eventually require stronger IP protection, both for domestic and foreign companies.

The second important question is how to attract R&D. Innovation needs R&D activities in local regions. Except in Singapore, not many MNCs conduct R&D in ASEAN. To promote R&D activities by MNCs, employee invention systems and improvement of export and import regulations of IPR transfer are expected to contribute to attracting resources for the local innovation system.

6. Education and Awareness from a Long-term Perspective

Our survey report shows that lack of information is partially caused by lack of knowledge of local staff about IPR. Professional human resource development by governments is very much needed. We recommend ASEAN governments to provide appropriate education and training for legal professionals responsible for IP in their jurisdictions to develop qualified personnel who can provide the desired legal services concerning patent and other IP.

Although improving education and increasing awareness are important to solve current problems, it would usually take considerable time for such measures to be effective. In that sense, short-term and temporary action may not be so effective. ASEAN governments should increase public awareness continuously through education with a long-term perspective.

Advanced countries should support such education programmes, utilising local educational tools modified for ASEAN countries.

