THE LEGAL PROBLEM ON FIRST-SALE DOCTRINE

BY
MR. YURANANT YUVANONT

AN INDEPENDENT STUDY SUBMITTED IN
PARTIAL FULFILMENT OF THE REQUIREMENT
FOR THE DEGREE OF MASTER OF LAWS
(BUSINESS LAW)

GRADUATE SCHOOL OF LAW
ASSUMPTION UNIVERSITY

NOVEMBER 2006

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Independent Study Title	: The Legal Problem on First-Sale Doctrine
Author	: Mr. Yuranant Yuvanont
Major	: Business Law (English Program)
Advisor	: Mr.Wutipong Vechayanon

Faculty of Law, Assumption University approves this Independent Study as the partial fulfillment of the requirement for the Degree Master of Laws.

..... Director of the Graduate School of Law
(Assoc.Prof. Nattapong Posakabutra)

Committee:

..... Chairman
(Mr. Sthianrapab Naluang)

..... Committee
(Mr. Werasak Arnusoontivong)

W. Vechayanon ..... Advisor and Committee
(Mr.Wutipong Vechayanon)

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ABSTRACT

Copyright is one of the intellectual properties protected by law. The law aims to protect the work that the inventor tries his best to invent with his effort, intelligence, and ability from using without the authority and caused the damage to the inventor. It also aims to protect economic benefit that inventor should gain from his work. This will encourage the inventor to invent the valued work in the future. If there is no protection for work, there will be fewer inventors who put their effort to invent the valued work for public especially the work that needs the investment in terms of capital and intelligence, such as computer program development work, etc. The inventor must be protected by law for the channel to earn the benefit from capital and intelligence and also get rate of return in appropriate amount compared with his effort on work additional from the capital.

Copyright Act 1994 determines the provisions of the protection of right for copyright owner in Section 15 that copyright owner has exclusive right to reproduce or modify, to perform to public, to rent out the original or copy of computer program, audiovisual work, movie and sound recording, to give benefit from copyright to others, and permit others to exercise the right on copyright work. According to Section 27 to Section 31 of Copyright Act 1994, many cases have been determined as the actions that are against the right of copyright owner, which is claimed as infringement. However, the right that the copyright owner has is not unlimited because if it is determined that the copyright owner can use their right to gain the benefit from his own copyright work unlimited, public will not gain any benefit from that work or get only few benefit which is not appropriate to the right that the law determine to reward the copyright

owner. In addition, copyright law does not occur among legal vacuum but it occurs among many another laws. So, copyright law should have some relation of other laws which relates to copyright work.

From this reason, there are some questions about the limitation of the right of copyright owner. When the copyright owner has exercised his right, the question is where the end of the right is. In this research, it discuss about the problems related to the case that the copyright owner exercises his right to produce, do, or set up the production of work combined with copyright work, then what is the limitation of the right of the copyright owner on that work under the copyright law by comparing with some parts of United States and Europe law respectively especially in First-sale doctrine of US copyright Act.

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Chapter 1
Introduction

1.1 Background and General Statement of the Problems

The "First Sale" doctrine is a key element of the legal framework to encourage dissemination of copy of copyrighted works. As now concluded in the Copyright Act, the doctrine allows the owner of a particular lawful copy of a work to "sell or otherwise dispose of the possession of that copy" without the permission of the copyright owner. This provision enables, for example, wholesalers to sell copies to retailers, libraries to lend copies to patrons, and individuals who have lawfully acquired copies of works to give them to friends or family. The doctrine states (with some exceptions) that the copyright owner's exclusive distribution right no longer applies to a particular copy once it has been sold the first time. The reason for this doctrine was to limit the right of the copyright owner after the first sale the right in the goods will exhaust, the IP owner has no right to make any condition to the buyer.

The First Sale doctrine has never allowed someone who owns a particular copy to make further copies of it without the permission of the copyright owner. That's because the most fundamental right of a copyright owner – to make reproductions of his work – continues to apply even after first sale of a particular copy.

This doctrine called "first-sale doctrine" originated from the U.S.A. to protect the selling of these kinds of copyrighted works such as second hand books, CD or DVD-Rom. The First-sale doctrine is also known as one of the "exhaustion of rights" in many countries and also applied in another Intellectual Property law.

By contrast, there is a problem that occurs in the ownership of the copyright work why specific rights of copyright is only for the owner of exclusive right but not the ownership of the product " why you can't lend what you buy". Also copied or modified work that obtained legally of his or her ownership. Many countries consider

it "moral rights" the protection is only when there will be disadvantages for the real owner.

However, Thai copyright law supports that consumers cannot make copies of computer programs contrary to a license, but may resell what they own. This however is conflicting with section 15 which is first-sale doctrine and the copyright act, that there are some reasons that consumer can make copy and the law itself is conflicting depending on the purpose of the use.

1.2 Hypothesis of the Research

At present, the owner of copy of work can not rent or modify their own copyright product only the real owner of exclusive rights does. To review and find the solutions to solve and improve the copyright law to suit the exhaustion of rights problem in copyright and other intellectual property laws, in the new situation which occurs from development of technology in present day is essential for Thailand.

1.3 Objectives of the Research

1. This research paper aims to study on history, principle and protection, first-sales doctrine of Copyright law in Thailand.
2. This research paper aims to study legal problems on the copyright in the issue of first-sale, principle of fair use and moral rights in specific area according to U.S. copyright Act and foreign law.
3. This research paper aims to study and analyze Thai Copyright Act B.E. 2537 and fair use in order to know how significant role of Copyright Act and Thai fair use in nowadays.
4. This research paper aims to recommend the solution to solve the problem of the ownership and the copyright work.

1.4 Research Methodology

This research paper will analyze and research by the method of documentary research through textbooks, articles, documents and electronic information about copyright including related laws and regulations on Copyright. It will correct related information in Thailand and in foreign countries.

1.5 Scope of the Research

This research paper has study about the protection of copyright work after first sale according to Thai Copyright Act B.E.2537 by analyzing and comparing with the exhaustion of rights of copyright work according to foreign law including study the way of judgment of the foreign law.

1.6 Expectation of the Research

1. To know about the first-sale doctrine according to copyright product, principle and other related laws.
2. To know legal problems on copyright in the issue of first-sale, principle of fair use and moral rights in specific area according to foreign law.
3. To know about the law idea, interpretation of different law including Thai and foreign law in order to solve the law problem existing in first-sale doctrine of copyright law.
4. To recommend the solution to solve the legal problem between the ownership and copyright work according to the first-sale doctrine.

Chapter 2
Copyright Concept

2.1 History of Copyright Law in Thailand

At the beginning of the Copyright Law, prior to the existence of a modern copyright law in Thailand, there was an announcement of the Vajiranana Library (the National Library at present) in 1894 prohibiting any person from publishing any part of, or any article published in Vajirayarnvises Books without prior permission of "Kamma-sampathikasapa." (Surat Numnnont 1962, 17) The announcement protected the rights regarding articles published in Vajirayarnvises Book. In 1901, during the reign of King Chulalongkorn (King Rama V, 1868-1910) the Copyright Act B.E. 2445 (A.D. 1902) was promulgated. During the reign of King Vajiravudh (King Rama VI, 1910-1925) the Copyright Act B.E. 2457 (A.D. 1914) was enacted to amend the previous law. However, both Acts protected only the copyright of literary works.

In the reign of King Prajadhipok (King Rama VII, 1925-1934) the Act for the Protection of Literary and Artistic Works B.E. 2474 (A.D. 1931), which repealed the former two Acts, was promulgated on 16 June 1931. This Act was the first modern copyright law, because it contained the universal principles of copyright law, especially the protection of artistic, scientific and foreign works. After having been enforced for more than forty years, the Act for the Protection of Literary and Artistic Works B.E. 2474 became out of date. The penalty for copyright infringement was very minor. The Copyright Act B.E. 2521 (A.D. 1978), which became effective on 19 December 1978 provided protection for audio-visual works, sound records and video broadcasting works.

Fifteen years later, the Copyright Act grew up to date to a new form of literary and artistic works, such as computer programs, sound and visual recordings performances and the leasing of audio-visual work. In that case, the government therefore proposed

a new copyright bill to the parliament which was passed as "the Copyright Act B.E. 2537" (A.D. 1994). This Act came into force on 21 March 1995.

2.2 Principle and Protection of Copyright Law in Thailand

2.2.1 Nature of Copyright

Section 4 of the Copyright Act B.E. 2537 defines the word "copyright" as "the exclusive right to do any act under this Act in relation to the work made by the author."

The purposes of the Copyright Act are to protect the rights of a person to his/her works which uses his/her skill, effort and labor to create a work, and which may be useful for all mankind. (Phillips and Firth 1990, 115) Whenever any person makes or creates a work under the conditions of the copyright law, he/she will be exclusively entitled to do anything to or with regards to the work, for example, its reproduction, adaptation, dissemination to the public and the granting license to other persons to use the said rights, because the copyright provides a very useful and effective way of exploiting a work economically. (Bainbridge 1992, 33) The copyright law protects the work, which any author makes or creates, in the form in which it is expressed but does not protect the underlying ideas and information in the work. On this account, if any idea is not created to be a work in physical appearance, no copyright protection shall be extended to such idea. (Dworkin and Taylor 1990, 4)

Copyright gives exclusive rights to the author who makes or creates a work, and acquires the right under the copyright law. However, the copyright is a property right in which the owner may assign his right wholly or in part and may assign it for a limited period of time or for the entire term of the protection of the copyright. An assignment of copyright, except by means of succession shall be made in writing signed by the assignor and the assignee,

and if there is no specified period of time in any assignment, it shall be deemed that the assignment is limited for a ten-year period (Section 17).

Though the copyright is able to be assigned under the law, the author of a copyright work still has the moral rights to be identified as the author of the work, (the paternity right) able to prohibit an assignee of copyright or any other person from distorting, abridging, adapting or doing any acts in relation to the work to such extent as to cause injury to the reputation or prestige of the author (the integrity right). If the author dies, his heirs have the right in litigation to enforce such rights throughout the term of the copyright protection unless otherwise agreed upon in writing (Section 18).

Copyrightable Works

The prerequisite of a copyrighted work is that it be the product of human endeavor, be that endeavor ever so slight, and not simply something which occurs in nature. (Phillips and Firth 1990, 115) The works, which are able to be protected under the copyright Act B.E. 2537, must be creative works, irrespective of the mode or the form in which the work is expressed. By virtue of Section 6 of the Copyright Act B.E. 2537, the copyrightable works are stipulated as one of the following works:

1. Literary work means every production in the literary domain, such as books, pamphlets, writings, printings, lectures, sermons, addresses and speeches, including computer programs.

Furthermore, this Act also defines computer programs as a set of instructions or anything used with a computer for making the computer work or to obtain any result, irrespective of computer program language.

2. Dramatic works mean works relating to choreography, dancing, action or performance in dramatic composition, and includes pantomime.

3. Artistic works mean any works of painting and drawing, work of sculpture, works of lithography, works of architecture, photographic works, works on illustrations, maps, structures, sketches, or three-dimensional works in relation to geography, topography or science, works of the applied arts, and includes the photographs and plans of such works.

4. Musical works mean any musical composition for playing or singing, whether with rhythm and lyrics or only rhythm, and include a musical notes or musical diagrams, the tunes in having been arranged and transcripted.

5. Audiovisual works mean works composed of a sequence of images recorded in any form of material, which are capable of being replayed by necessary apparatus for using such material, and include a sound track of that work, if any.

6. Cinematographic works mean audiovisual works composed of any sequence of visual images, which is capable of being continuously shown as moving pictures, or is capable of being recorded in another material so as to be continuously shown as moving pictures, and includes the sound track of that moving picture, if any.

7. Sound recordings mean works composed of a sequence of music, sound of a performance or any other sound recorded in any form of material, which is capable of being replayed by necessary apparatus for using such material, but not including the sound track of a cinematographic work or another audio-visual work.

8. Sound and video broadcasting works mean works communicated to the public by means of radio broadcasting, sound and video broadcasting on television or by other similar means.

9. Other works in the literary, scientific or artistic domain. When an author creates works in accordance with the conditions of the Copyright Act B.E. 2537, his works will be protected under this Act. However, Section 7 of the Copyright Act B.E. 2537 states that the following works do not come under the Copyright Acts:

- News of the day and facts having the character of being information only.
- Constitutions and legislations.
- Regulations, by-laws, notifications, orders, explanations and correspondence of the Ministries, sub-Ministries, Departments or any other state or local unit.
- Judgment, orders, decisions and reports of the government.
- Translations and collection of those in (1) to (4) made by the Ministries, sub-Ministries, Departments, or any other state or local units. The underlying reasons for these exceptions are that such works are general works stipulated for public interest.

2.2.2 Acquisition of Copyright

The acquisition of copyright for protection under the Copyright Act B.E. 2537 can be classified into four categories as follows:

1. The author shall be entitled to the copyright in the work he has created under any of the following conditions (Section 8)

1.1 In the case where the work has not been published yet, the author must be a Thai national or must have stayed in the Kingdom, or a national of or resident in a country which is a member of the convention on copyright protection of which Thailand is also a member throughout the time or most of the time of a work's creation.

1.2 In the case where the work has been published, the first publication must have been in the Kingdom or in a country which is a member of the convention on copyright protection of which Thailand is also a member, or in the case where the first publication is made outside the Kingdom or in another country which is not a member of the convention on copyright protection of which Thailand is a member, if the work has been published in the Kingdom or in a country which is a member of the convention on copyright protection of which Thailand is also a member within thirty days as from the date of the first publication, or the author must be qualified according to that prescribed in (1.1) at the time of the first publication. However, in the case where the author must be a Thai national, if he is a juristic person, such juristic person must be incorporated under the law of Thailand.

By virtue of Section 4 of the Copyright Act B.E. 2537, the meaning of the publication is a disposition of the duplicated copies of a work, regardless of its form or character, with the consent of the author, by making duplicated copies available to a reasonable number of the public having due regards to the nature of the work, but does not include a performance or display of dramatic, musical or cinematographic works, lecturing or delivering a speech on literary work, sound and video broadcasting about any work, exhibition of artistic work and construction of architectural work.

In the case where the author has created a work in the capacity of an officer or employee, he shall be entitled to the copyright in that work, but his employer is entitled to the right to disseminate that work to the public in accordance with the purpose of the employment, unless it has been agreed otherwise in writing (Section 9 of the Copyright Act B.E. 2537). Additionally, the employer shall be entitled to the copyright in the work the author was specifically commissioned to make, unless the author and the employer have agreed otherwise (Section 10)

2. In case of a work being by its nature an adaptation of the work copyrighted under this Act with the consent of the copyright owner, the person making such adaptation shall be entitled to the copyright under this Act, without prejudice to the right of the copyright owner in the work of the original author which was adapted (Section 11)

3. In case of a work being by its nature a compilation or composition of the works copyrighted under this Act with the consent of the copyright owner, or being a compilation or composition of data or anything else which can be read or transferred by a machine or other equipment, if the person, who compiles or composes, has done so by selecting or rearranging in its nature which is not an imitation of another person's work, the person making such compilation and composition shall be entitled to the copyright to such work under this Act, without prejudice to the right of copyright owner in the work and data or anything else of the original author which was compiled or composed (Section 12)

4. The Ministries, sub-Ministries, Departments or any other state or local agency shall be entitled to the copyright in the works created under their employment or direction or control, unless it has been agreed otherwise in writing (Section 14).

2.2.3 Protection of Copyright

The copyright owner shall have the exclusive rights regarding the following acts (Section 15):

1. Reproduction or adaptation. By virtue of the meaning under Section 4 of the Copyright Act B.E. 2537, "reproduction" is any mode of copying, emulation, duplication, block-making, sound recording, video recording or sound and video recording, from the original, a duplicate or a publication in its material

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part, whether wholly or in part. In relation to computer program, reproduction is any mode of copying or duplication of the computer program from any recording medium in its material part, and not being in the nature of making a new work, whether wholly or in part. And "adaptation" is a reproduction by conversion, improvement, amendment or copying of the original in its material part, and not being in the nature of making a new work, whether wholly or in part.

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2. Dissemination to the public. Under Section 4 of the Copyright Act B.E. 2537, dissemination to the public means making the work available to the public by means of performing, lecturing, praying, playing, converting into different formats such as sound and image, reconstructing, disposing or by any other means.

3. Letting the originals or the duplicates of computer program works, audio-visual works, cinematographic works and sound recording works.

4. Granting benefits accruing from the copyright to other persons.

5. Granting license to other persons to use the right under (1) (2) or (3), with or without imposing any condition, but such condition shall not be stipulated in the nature that being the restriction or unfair competition. However, in the case where a copyright owner by virtue of this Copyright Act, grants license to a person to use any said right, this license shall be regarded as a non-exclusive license, and the copyright owner can grant the same license to anyone else, unless the license imposes the prohibition (Section 16).

2.2.4 Term of Copyright Protection

Generally, the copyright in a work shall subsist for the life of the author and shall continue to subsist until the end of the period of fifty years from the death of the author. Nevertheless, in the case of a work of joint authorship, the

copyright in such work shall subsist for the life of the joint authors and shall continue to subsist until the end of the period of fifty years from the death of the last surviving joint author. Additionally, if the author or every joint author was dead before the publication of the work, the copyright shall subsist for a period of fifty years from the date of its first publication(Section 19).

In case of the author being a juristic person, or using a pseudoname or anonymous name and being unknown in terms of identity, the copyright in such work shall subsist for a period of fifty years from the date of its creation, but if the work is published during the said period, the copyright shall subsist for a period of fifty years from the date of its first publication (Paragraph 4 of Section 19 and Section 20).

The copyright in the photographic, audio-visual, cinematographic, sound recording or sound and video broadcasting work, or the copyright in the work created in accordance with the employment or direction or control of the Ministries, sub-Ministries, Departments or any other state or local agency shall subsist for a period of fifty years from the date of its creation. If the work is published during the said period, the copyright shall subsist for a period of fifty years from the date of its first publication (Section 21 and Section 23).

However, the copyright in the work of applied art shall only subsist for a period of twenty-five years from the date of its creation, but if the work is published during the said period, the copyright shall subsist for a period of twenty-five years from the date of its first publication (Section 22).

The publication of any copyrighted work after the termination of the term of copyright protection shall not give rise to the copyright in that work anew, for instance the publication of a musical work after fifty years from the death of the composer does not give rise anew to the copyright in that work (Section 26).

2.2.5 Infringement of Copyright

As mentioned above, the Copyright Act provides the exclusive rights to the copyright owner, so infringement of copyright means the act which any person commits to the copyrighted work without permission of the copyright owner. The infringement of copyright is divided into two kinds as follows:

1.Direct Infringement. Any of the following acts in relation to every type of copyrighted works, except for a sound and video broadcasting, shall constitute an infringement of copyright: (1) reproduction or adaptation; (2) dissemination to the public (Section 27, Section 28 and Section 30).

However, in relation to an audiovisual work, cinematographic work, sound recording work or computer program, the infringement of copyright also includes the letting of an original or duplicate of such works (Section 28 and Section 30).

Moreover, any one of the following acts in relation to a copyrighted sound and video broadcasting work shall constitute an infringement of copyright: (1) a production of audio-visual work, cinematographic work, sound recording or sound and video broadcasting work, whether wholly or in part; (2) a rebroadcasting of sound and visual images, whether wholly or in part; (3) an arrangement of the sound and video broadcasting work to be heard and/or seen by the public, by asking for a fee or other commercial benefits in return. (Section 29)

2. Indirect Infringement. Any person, who knows or should have reason to know that a work was made by an infringement of the copyright of another person, does any of the following acts in relation to such work for profits, shall be deemed to commit an indirect infringement of copyright:

- selling, possessing to sell, offering to sell, letting for hire, offering to hire, selling by hire-purchase or offering to sell by hire-purchase;

- dissemination to the public;
- distributing in such manner as to be prejudicial to the copyright owner;
- importing or making an order for importation into the Kingdom. (Section 31)

Exceptions from Infringement of Copyright

Section 30 of the Copyright Act B.E. 2537 provides the exceptions from infringement of copyright, that is an act done in relation to the copyrighted work of another person by virtue of this Act shall not constitute an infringement of copyright, if done as follows:

- research or study of the work, which is not done for making profit;
- use for one's own benefit and/or use for the benefits of his family member, or close relatives;
- criticisms, comments or reviews of the work accompanied by an acknowledgement of the copyright ownership in such work;
- report of current events through the mass media, accompanied by an acknowledgement of the copyright ownership in such work;
- reproduction, adaptation, exhibition or making available for judicial or administrative proceedings under the law, or for a report of the said proceedings;
- reproduction, adaptation, exhibition or making available by a teacher for teaching, which is not done for making profit;
- reproduction or adaptation of a part of such work, or abridging or making a summary by a teacher or educational institution for distributing or selling to students in the class or in an educational institution, provided that is not done for making profit; utilization of the work as a part of the examination questions and answers.

Regarding the exception of the infringement of copyright of computer programs, Section 35 of the Copyright Act B.E. 2537 stipulated that an act done in relation to a copyrighted computer program shall not be deemed an infringement of copyright, if there is no intention for making profit, in the following cases:

- research or study of that computer program;
- use for the benefit of the owner of the copy of the computer program;
- criticisms, comments or reviews of the work accompanied by an acknowledgement of the copyright ownership in such computer program;
- report of current events through the mass media, accompanied by an
- acknowledgement of the copyright ownership in such computer program;
- duplicating computer program in an appropriate number by the person who legitimately purchased or obtained the computer program from another person for the purpose of maintenance or loss replacement;
- reproduction, adaptation, exhibition or making available for judicial or
- administrative proceedings under the law, or for a report of the said proceedings;
- utilization of the computer program as a part of the examination questions and answers;
- adapting the computer program in case of being necessary for using;
- making duplicates of the computer program to keep for reference or research of public interest.

Additionally, a reasonable recitation of, copying from, emulation of, or reference to any part of the copyrighted work, which is accompanied by acknowledgement of the copyright ownership in such work, shall not be deemed an infringement of copyright (Section 33).

Moreover, the Copyright Act B.E. 2537 states that any one of the following acts shall not be deemed an infringement of copyright:

1. reproduction for use in a library or for supplying to other libraries, or reasonable reproduction of certain parts of the work for supplying to other persons for the purpose of research or study, by librarians, if not being made for profit-making proposes (Section 34).

2. performing a dramatic work or musical work for suitable dissemination to the public, if not being made or conducted for making profit as a result of such

dissemination, and not charging for admission fee, whether directly or indirectly, and the performers not receiving remuneration for such performance, in case of that being conducted by an association, foundation or other organizations with a charitable, educational, religious or social-welfare purpose (Section 36).

3. a reproduction, for the benefit of the government service by an authorized official or under the direction of the official, of a copyrighted work, which is in the possession of the government (Section 43).

However, such mentioned acts done in relation to the copyrighted work by virtue of this copyright Act, which shall not constitute the infringement of copyright, must not conflict with the normal exploitation in the copyrighted work of copyright ownership and not unreasonably affect the legitimate right of the copyright owner (Paragraph 1 of Section 32).

Furthermore, with regard to any act done to the artistic work, the Copyright Act B.E. 2537 states that any drawing, painting, building, engraving, moulding, carving, lithographing, photographing, cinematographic taking, video broadcasting or any similar in relation to any artistic work which is normally displayed in a public place and is not the work of architecture; or the drawing, painting, engraving, moulding, carving, lithographing, photographing, cinematographic taking, or video broadcasting in relation to the work of architecture; or the photographing or cinematographic taking or video broadcasting of any work in which any artistic work is included as a component part, shall not constitute an infringement of copyright in such artistic work (Section 37, Section 38 and Section 39).

2.2.6 Penalty and Prescription

The penalty stipulated in the Copyright Act B.E. 2537 is much higher than the one stipulated in the Copyright Act B.E. 2521. Any person directly infringing

the copyright under Section 27, Section 28, Section 29 or Section 30 shall be liable for a fine from twenty thousand baht to two hundred thousand baht. If the said offence is committed for a commercial purpose, the offender shall be liable to imprisonment for a term from six months to four years or to a fine from one hundred thousand baht to eight hundred thousand baht or to both (Section 69).

Any person indirectly infringing the copyright under Section 31 shall be liable to a fine from ten thousand baht to one hundred thousand baht. If the said offence is committed for a commercial purpose, the offender shall be liable to imprisonment for a term of three months to two years or to a fine from fifty thousand baht to four hundred thousand baht, or to both (Section 70).

Furthermore, any person, who having been convicted of an offence under this Act, commits an offence hereunder again within five years from the date he is released from his punishment, shall be liable to double penalty prescribed for that penalty (Section 73).

In the case where a juristic person commits an offence under this Act, every director or manager of such juristic person shall be regarded as joint offenders with juristic person, unless he can prove that such act of the juristic person has been done without his knowledge or consent (Section 74).

In case of all articles made or imported into the Kingdom, which constitute an infringement of copyright under this Act, and still owned by the offender, they shall become the property of the copyright owner, whereas all articles used for committing an offence shall be forfeited (Section 75).

However, the offences under this Copyright Act shall be compoundable offences (Section 66). Additionally, the prescription of an action for infringement of copyright under this Act is a special prescription that differs from the prescription of wrongful acts in accordance with the Civil and

Commercial Code. That is three years from the day when the copyright owner becomes aware of the infringement and the identity of the offender, but it must not be entered later than ten years from the date of infringement of copyright (Section 63).

2.2.7 The Use of Copyright in Special Circumstances

The new dimension of the Copyright Act B.E. 2537 is the stipulation of the provision relating to the use of copyright work in special circumstances. Section 54 of this Act provides that a Thai national who wants to apply for a license to use a copyrighted work which has been disseminated to the public in the form of printed matter or other similar forms, for the benefit of study, instruction or research, and not for making profit, may submit an application to the Director-General of the Department of Intellectual Property. Evidence is required to show that the applicant has applied for a license to use the copyright in the Thai translation of work into or in the reproduction of the duplicated work, which used to be published in the Thai translated version, from the copyright owner, but the application was rejected, or after a reasonable period of time, no agreement could be concluded, if it appears that at the time of submitting such application to the Director-General :

1. the copyright owner has not arranged for or permitted any person to make the Thai translation of such work for publication within three years after the first publication of the work; or

2. the copyright owner has published the Thai translation of his work for publication, but after three years from the most recent publication of the translation, there has been no further publication of that translation and there has been no duplication of that translation in the market.

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2.3 International Copyright

Regarding the protection of international copyright, on July 17, 1931 (B.E. 2474), Thailand became a contracting state of the Berne Convention for the Protection of Literary and Artistic Works A.D. 1886 (B.E. 2429) or "the Berne Convention" (Tawach Rattanaphichat 1986 : 52) which was established in Berne, Switzerland on 9 September 1886 (B.E. 2429) by the International Union for the Protection of Copyright. Being a contracting state of the Berne Convention, Thailand is obliged to comply with this Convention. If Thailand desires the Convention to be legally applicable, it has to provide an internal law containing the provisions in the Convention, thus making the Convention become an internal law. (Ukrit Mongkolnavin 1976, 182)

Therefore, the Act for the Protection of Literary and Artistic Works B.E. 2474 began to stipulate the provision relating to the International Copyright in Chapter 2, but there was only a provision recognizing the translation work in that Act. Although Section 42 of the Copyright Act B.E. 2521 embraced the protection of international copyright more than that of the former Act, such Section 42 ambiguously provided the protection of international copyright, because of providing that international copyrights shall be protected according to the conditions stipulated by a Royal Decree. Besides this, the Royal Decree B.E. 2526 (A.D. 1983) and the Royal Decree B.E. 2536 (A.D. 1993) promulgated in accordance with such Section 42, stipulated too many complicated and restricted principles for the protection of international copyright in Thailand, for example the definition of the country of the origin of work, and the conditions regarding the term of the protection of international copyright work and the translation of literary or dramatic work.

Consequently, the Copyright Act B.E. 2537 protects international copyright more obviously than the provisions under the former copyright laws, because the conditions relating to the acquisition of a copyright of any work which a foreign author created in another country, which used to be stipulated in the said Royal decree, are included in Section 8 regarding the acquisition of copyright under Chapter 2 of this Act, as

mentioned above. Moreover, in Chapter 5, the International of Copyright by virtue of this Act, Section 61 also provides distinctly the protection of copyrighted works belonging to foreign authors.

Section 61 of the Copyright Act B.E.2537 provides for the protection of international copyright as follows:

1.Any copyrighted work of the author of a contracting state to the convention relating to the protection of copyright to which Thailand is also a contracting state shall be protected by this Act. Therefore, any copyrighted work of an author of any contracting state to the Berne Convention for the Protection of Literary and Artistic Works, such as the United States of America, United Kingdom and Japan, shall be protected under the Copyright Act B.E. 2537. (A.D. 1994)

2. Any copyrighted work of an international organization of which Thailand is a member shall be protected by this Act. By this principle, any copyrighted work of an international organization of which Thailand is a member, such as United Nations (UN), World Health Organization (WHO), shall also be protected under the Copyright Act B.E. 2537.

However, Paragraph 2 of Section 61 of the Copyright Act B.E. 2537 stipulates the Minister of Commerce has the authority to announce the names of the countries which are the contracting states of the Berne Convention in the Government Gazette.

Chapter 3

First-Sale Doctrine in Foreign Countries

3.1 First-Sale Doctrine in the U.S. Copyright Act

The first-sale doctrine is an exception to copyright codified in the US Copyright Act, section 109. The doctrine of first sale allows the purchaser to transfer (i.e. sell or give away) a particular, legally acquired copy of protected work without permission once it has been obtained. That means the distribution rights of a copyright holder end on that particular copy once the copy is sold. Originally (back in 1909), the codification applied to copies that had been sold (hence the "first sale doctrine"), but in the 1976 Act it was made to apply to any "owner" of a lawfully made copy or phonorecord regardless whether it was first sold. So, for example, if the copyright owner licenses someone to make a copy (such as by downloading), then that copy (meaning the tangible medium of expression onto which it was copied under license, be it a hard drive or removable storage medium) may lawfully be sold, lent, traded or given away.

The doctrine of first sale does not include renting and leasing phonorecords (recorded music) and certain types of computer software, although private non-profit archives and libraries are allowed to lend these items provided they include a notice that the work may be copyrighted on the copy.

US copyright case law supports that consumers cannot make copies of computer programs contrary to a license, but may resell what they own. This however is conflicting with both section 117 and 109, and the case law itself is conflicting depending on which circuit the case was heard in.

3.2 Cases Involving the First-Sale Doctrine

In 1979 *Universal City Studios, Inc. et al. v. Sony Corporation of America Inc. et al.* (often called "The Betamax Case")[1], resulted in a ruling that because the VCR was capable of substantial noninfringing uses, copyright owners who objected to the infringing uses people could make of it could not prevent its sale. The lawfulness of the VCR, coupled with the high price of the first few movies on VHS and Betamax tapes ($50 each) resulted in an explosion of the home video rental market -- a practice in which retailers bought the expensive tapes and rented them at a fraction of the cost, thereby making them affordable for the masses and (in a surprise to movie studios) stimulated huge sales volume to video retailers. Within a short time, the home video industry that motion picture studios had tried to snuff out in the crib was generating over half of the domestic revenue from all other sources combined. Coupled with the first sale doctrine, the Betamax ruling meant that Beta and VHS tapes could be purchased by video rental stores, and then rented out to the public, without permission from the copyright holders.

In 1983 the *Consumer Video Sales/Rental Amendment of 1983* (1983, H.R. 1029/S. 33) tried to require anyone who wanted to rent out videotapes to obtain prior permission from the copyright owner. This bill was defeated.

In 1997 in *Novell v. Network Trade Center, 25 F. Supp. 2d 1218* (C.D. Utah 1997)[2] purchaser is an "owner" by way of sale and is entitled to the use and enjoyment of the software with the same rights as exist in the purchase of any other good. Said software transactions do not merely constitute the sale of a license to use the software. The shrinkwrap license included with the software is therefore invalid as against such a purchaser insofar as it purports to maintain title to the software in the copyright owner. Under the first sale doctrine, NTC was able to redistribute the software to end-users without copyright infringement. Transfer of a copyrighted work that is subject

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[1] Sony Corp. v. Universal City Studios, Inc., 464 U.S. 417 (1984), in http://www.law.cornell.edu/copyright/cases/464_US_417.htm, Access date August 2, 2006.

[2] Micheal J. Madison. Novell v. Network Trade Center 25 F. Supp. 2d 1218. in http://www.law.pitt.edu/madison/ecommerce/readings_2002.htm, Access date August 5, 2006.

to the first sale doctrine extinguishes all distribution rights of the copyright holder upon transfer of title.

In 1998 in *Quality King Distributors Inc., v. L'anza Research International Inc.* (1998, WL 9625)[3] there was a unanimous ruling: in a case involving distribution of hair care products bearing a copyrighted label, the Supreme Court found that the doctrine does apply to importation into the US of copyrighted works (the labels) which were made in the US, then exported. This is significant for grey market[4] imports of software, books, movies or other copies of copyrighted works, where the price outside the US may be lower than the price inside. The importation of goods first manufactured outside the US under the copyright laws of other countries was specifically excluded from that decision, leaving undecided whether goods "lawfully made" under the Copyright Act but made outside the United States also benefit from the first sale doctrine. Until that is decided, copyright holders are free to take action against foreign distributors who sell products made in their region into the US market.

3.3 Specific Problem of the First-Sale Doctrine Regarding Computer Software

The first-sale doctrine as it relates to computer software is an area of legal confusion. Software publishers claim the first-sale doctrine does not apply because software is licensed, not sold, under the terms of an End User License Agreement (EULA)[5]. The

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[3] Quality King Distrib., Inc. v. L'Anza Research Int'l, Inc., 523 U.S. 135 (1998), in http://supct.law.cornell.edu/supct/html/96-1470.ZO.html, Access date August 11, 2006.

[4] The grey market (or gray market) refers to the flow of new goods through distribution channels other than those authorized or intended by the manufacturer or producer. *Used* or pre-owned goods are just that: used. Only *new* products fall under the legal, accepted definition of *grey market*.

[5] A software license is a license that grants permission to do things with computer software. The usual goal is to authorize activities which are prohibited by default by copyright law. For example, a software license might give permission to make copies of the software. A copyright holder may offer a software license unilaterally, or as part of a software license agreement with another party. Most proprietary software is sold under the terms of a software license agreement, while free software and open source software are usually distributed under the terms of a unilateral software license.
The license may include terms and conditions. If one does not follow the terms of the license, then he or she is subject to the normal restrictions of copyright law.

courts have issued contrary decisions regarding the first-sale rights of consumers. Bauer & Cie. v. O'Donnell[6] and Bobbs-Merrill Co. v. Straus[7] are two US Supreme Court cases that deal with copyright holders trying to enforce terms beyond the scope of copyright and patent, but calling it a license. Many state courts have also ruled that a sale of software is indeed a sale of goods under the UCC[8] at the point where funds are exchanged for the physical copy of the software. The licensed and not sold argument is held mostly in the 8th and 7th Circuits while other circuits tend to support the opposite, thus leading to conflicting court opinions such as seen in the 3rd Circuit Step-Saver Data Systems, Inc. v. Wyse Technology[9] and fifth circuit Vault Corp. v. Quaid Software[10] as opposed to the 8th Circuit Blizzard v. BNETD (Davidson & Associates v. Internet Gateway Inc (2004))[11], which have not been resolved by the Supreme Court.

Federal district courts in California and Texas have issued decisions applying the doctrine of first sale for bundled computer software in *Softman v. Adobe (2001)* [12]and *Novell, Inc. v. CPU Distrib., Inc. (2000[13])* even if the software contains a EULA prohibiting resale. In the Softman case, after purchasing bundled software (A box

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[6]Bauer & Cie v. O'Donnell 229 U.S. 1 (1913), in http://caselaw.lp.findlaw.com/cgibin/getcase.pl?court=us&vol=229&invol=1, Access date August 25, 2006.

[7]Bobbs-Merrill Co. v. Straus, 210 U.S. 339 (1908), in http://caselaw.lp.findlaw.com/scripts/getcase.pl?court=US&vol=210&invol=339, Access date 25, 2006.

[8] The Uniform Commercial Code (UCC) is one of the uniform acts that has been promulgated in attempts to harmonize the law of sales and other commercial transactions in all 50 states within the United States of America.

[9] Step-Saver Data Systems, Inc. v. Wyse Technology, 939 F.2d 91 (3rd Cir. 1991), in http://www.law.cornell.edu/ecourse/cases/step_n7.htm, Access date August 25, 2006.

[10] Vault Corporation v. Quaid Software Limited. 847 F.2d 255. United States Court of Appeals, Fifth Circuit. June 20, 1988.

[11] 334 F.Supp.2d 1164 (E.D. Mo. 2004), in http://www.freedom-to-tinker.com/doc/2004/bnetd_30sep.pdf , Access date August 20, 2006.

[12] SoftMan Products Co. v. Adobe Systems Inc. 171 F. Supp. 2d 1075 (C.D. Cal. 2001), in http://www.coolcopyright.com/cases/chp9/softmanadobe.htm, Access date Augest 21, 2006.

[13] Novell, Inc. v. CPU Distrib., Inc., 2000 U.S. Dist. Lexis 9975 (S.D. Tex. 2000), in http://regionalweb.texoma.net/cr/AAPS_brief--Amicus.htm, Access date August 21, 2006.

containing many programs that are also available individually) from Adobe Systems, Softman unbundled it and then resold the component programs. The court ruled that Softman could resell the bundled software, no matter what the EULA stipulates, because Softman had never assented to the EULA. Specifically, the ruling decreed that software purchases be treated as sales transactions, rather than explicit license agreements. In other words, the court ruling argued that California consumers should have the same rights they would enjoy under existing copyright legislation when buying a CD or a book.

In a more recent case involving software EULA's and first-sale rights *[Davidson & Associates v. Internet Gateway Inc (2004)]*, the US District Court for the Eastern District of Missouri issued a ruling which appears to contradict the position of the district courts in California and Texas. The first sale reasoning of the *Softman* court was challenged, with the court ruling, "The first sale doctrine is only triggered by an actual sale. Accordingly, a copyright owner does not forfeit his right of distribution by entering into a licensing agreement." In addition, the court found the plaintiff's EULA, which prohibited resale, was binding on the defendants because, "The defendants .. expressly consented to the terms of the EULA and TOU by clicking 'I Agree' and 'Agree.'" This runs counter to *Softman v. Adobe*. The difference in these rulings has yet to be resolved by a higher court.

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3.4 The Record Rental Amendment of 1984 and The Computer Software Rental Amendments Act of 1990

Section 109 was amended by both acts to prevent all owners of software copies or phonorecords, except non-profit educational institions or non-profit libraries, to dispose of said copies through the acts of rental, lease, or lending, or by any other act or practice in the nature of rental, lease, or lending unless authorized by the owners of the copyright.

The acts specifically excluded:

- A computer program which is embodied in a machine or product and which cannot be copied during the ordinary operation or use of the machine or product; or

- A computer program embodied in or used in conjunction with a limited purpose computer that is designed for playing video games and may be designed for other purposes.

The privileges to sell or otherwise dispose of the possession of any particular copy or phonorecord and to display that copy publicly one image at a time, including through projection, one image at a time where the copy is physically located do not, unless authorized by the copyright owner, extend to any person who has acquired possession of the copy or phonorecord from the copyright owner, without acquiring ownership of it.

However, section 109 specifically leaves the copyright holder bound by the Clayton Act if the copyright holder allows; rental, lease, or lending, or by any other act or practice in the nature of rental, lease, or lending.

3. Nothing in this subsection shall affect any provision of the antitrust laws. For purposes of the preceding sentence, "antitrust laws" has the meaning given that term in the first section of the Clayton Act and includes section 5 of the Federal Trade Commission Act to the extent that section relates to unfair methods of competition.

This leaves the copyright holder, through the terms of the EULA and TOS[14] that many software and music companies favor in order to bypass section 109, liable for

[14] Terms of Service(often abbreviated as "TOS") are rules by which one must agree to abide by in order to use a service. Certain websites are noted for having carefully designed terms of service, particularly eBay and PayPal which need to maintain a high level of community trust because of transactions involving money. However, to attract new members and maintain current members, the terms must be perceived as fair and must not be needlessly bureaucratic. For the sake of good public relations and effective community building, the

Clayton Act violations through the fact that they claim that the purchase of the software or music is not a purchase and that the end user does not own the software but has rights to use it, thus engaging in other acts or practice in the nature of rental or lease. While many states have changed their contract laws so that a sale of software is defined under the UCC, in response to the United States Uniform Computer Information Transactions Act (UCITA) through so called Anti-UCITA bills, so a purchase of software is a sale under the UCC at the point of purchase, thus the purchaser owns the software at the time of purchase and the EULA terms imposed after the sale, if not disclosed prior to the sale, are unenforcebale, other states have not.

Under the Clayton Act it is unlawful to:

- Enter into an agreement not to use goods of competitors;
- Discriminate in rebates, discounts, or advertising service charges;
- Discriminate in favor of one purchaser against another purchaser;
- Pay or contract for the payment of anything of value to or for the benefit of a customer of such person in the course of such commerce as compensation or in consideration for any services or facilities furnished by or through such customer in connection with the processing, handling, sale, or offering for sale of any products or commodities manufactured, sold, or offered for sale by such person, unless such payment or consideration is available on proportionally equal terms to all other customers competing in the distribution of such products or commodities;
- Pay or grant, or to receive or accept, anything of value as a commission, brokerage, or other compensation, or any allowance or discount in lieu thereof, except for services rendered in connection with the sale or purchase;

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organization should strive to form a social contract that balances the organization's interests with a set of rights granted to the membership.

- Discriminate in price between different purchasers of commodities of like grade and quality, where either or any of the purchases involved in such discrimination are in commerce; or

- Discriminate in favor of one purchaser against another purchaser or purchasers of a commodity bought for resale, with or without processing, by contracting to furnish or furnishing, or by contributing to the furnishing of, any services or facilities connected with the processing, handling, sale, or offering for sale of such commodity so purchased upon terms not accorded to all purchasers on proportionally equal terms.

In the United States, the Clayton Antitrust Act of 1914, Act of Oct. 15, 1914, ch. 323, 38 Stat. 730, codified at 15 U.S.C. § 12 through 15 U.S.C. § 27 and 29 U.S.C. § 52 and 29 U.S.C. § 53, was enacted to remedy deficiencies in antitrust law created under the Sherman Antitrust Act of 1890 that allowed corporations to dissolve labor unions.

Section 109 includes the language, "or by any other act or practice in the nature of rental, lease, or lending" and as having rights to use property but not own is in the nature of rental, lease, or lending they are subject to the Clayton Act. Through the use of the EULA and TOS which disclaim that the software is not owned but grants rights to use the property in order to preclude consumers first sale rights, they increase their liability. Most software companies and some music companies often engage in practices of discriminatory pricing, enter into "exclusive" contracts where in exchange for a discount they agree not to use competitors goods/services, or in the case of music services favor one company or another to distribute thus violating the Clayton Act in some manner or another.

Microsoft was countersued in Microsoft Corp v. Zamos[15] (Case: 5:04-cv-02504) for violating the Clayton Act. In Microsoft v. Zamos, after unsuccessfully trying to return legally acquired unopened copies of Microsoft Software purchased at a student bookstore, as specified in the Microsoft EULA, Zamos sold the software on EBay for

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[15] Richard Menta. Student Beats Copyright Lawyers, in http://www.mp3newswire.net/stories/5002/davidzamos.html, Access date August 5, 2006.

a profit of $140.00 . Microsoft investigators sent a message to Zamos, through eBay's website, asking whether the disk containing the software included the phrase "not for retail or OEM distribution." Zamos confirmed by return email the same day that the disk did include the phrase. Microsoft then sued Zamos claiming that, "Microsoft has suffered and will continue to suffer substantial and irreparable damage to its business reputation and goodwill as well as losses in an amount not yet ascertained... Defendant's acts of copyright infringement have caused Microsoft irreparable injury." and sought legal fees and the profit from the sale.

Zamos responded on Jan 3, 2005 by countersuing Microsoft with Clayton Act charges and further charged that, "Microsoft purposely established and maintained a sales and distribution system whereby rightful rejection and return of merchandise that is substantially non-conforming is either impossible or practically impossible due to the ineptness of its employees, unconscionable policies, malicious intent and deceptive practices," thus engaging in fraud and violating the Consumer Sales Practice Act.

Microsoft offered to drop the case when local Ohio papers carried the story. Zamos however refused to drop the case until Microsoft apologized and paid for the cost of copies of legal documents at the local copy shop. In March 2005, Microsoft and Zamos settled, the settlement included a non-disclosure agreements with regards to the settlement terms.

3.5 First-Sale Doctrine in Other Countries

The exhaustion or "First-sale" doctrine implies that once a copyright owner has parted with title to a copy of his work, successive possessors of the copy should not have to negotiate with him each time they contemplate a further sale or other transfer of the copy. In the usual case, such as the sale of a paper bound novel, the copyright owner will have no economic interest in under taking the expense of such additional negotiations. In the exceptional case, such as the sale of phonograms and computer programs, the copyright owner may wish to bring subsequent deposition of copies under copyright control not to profit from a rental or re-sale market, but to stifle the unlawful reproduction of rented copies.

One implication of exhaustion doctrine for the international copyright transactions is that national law may hold that sale of copies exhausts the copyright owner's control within a country's boundaries but not outside them, with the result that copies cannot be imported from abroad without the copy-right owner's consent. The economic significant of such a rule lies in the practice of price discrimination- pricing copies differentially from country to country on the basis of relative demand for a work, and the relative ability of local markets to pay for it. To the extent that the distribution right is exhausted across borders, price discrimination is effectively defeated.

The fact that not all countries have adopted a discrete distribution right has complicated definition of the exhaustion doctrine. In the European Union, where some countries have a distribution right and other do not, the E.C. Software and Database Directives have, respectively required member states to define public distribution as a restricted act for copyrighted computer programs and databases, subject, however, to exhaustion upon first sale of copies within the community. Out side the boundaries of these Directive, the European Court of justice, applying Article 36 of E.C.C. Treaty, has established the principle that once a copy of a copyrighted work is sold with the copyright owner's authority in one member country, the right to control further distribution is exhausted in any other member county; the rule on exhaustion does not, however, extend to countries outside the European Community (Regional Exhaustion of Right).

The first-sale doctrine in the United States carves out a major exception to the distribution right by providing that, "the owner of a particular copy or phonerecord lawfully made under this title, or any person authorized by such owner, is entitle, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy or phonerecord." By centering its exemption on the "owner" of a copy or phonerecord, the provision may make it appear that the copyright owner could restrict transfers by borrowers and licensees to whom the owner of the copy or phonerecord had transferred possession but not title. Nonetheless, the provision's clear intent was to adopt the long-standing principle that a copyright owner exhausts

its rights to distribute copies or phonerecords of its work upon the sale of each copy or phonerecord so that, once the copyright owner parts with the ownership, everyone in the succeeding chain of title- owners and no owners alike- will enjoy the privilege.

Section 602(1) of the US copyright Act make the unauthorized importation into the United States of copies or phonerecords acquires outside the United States an infringement of the exclusive distribution right. Courts have generally held that section 109(a)'s first sale defense is not available to importers who acquired ownership of gray market copies or phonerecords lawfully made abroad. Courts have also held that the first-sale defense is not available to a seller who acquired ownership in the United States of copies or phonerecords that, though lawfully made abroad, were unlawfully imported, the defense will apply "to copies made abroad only if the copies have been sold in the United States by the copyright owner or with its authority." In Quality King Distributors, Inc v. L' Anza Research International, Inc,[16] the U.S. supreme court addressed a third situation; where copyrighted goods lawfully made in the United States are shipped abroad for resale and subsequently reintroduced into the United States by the foreign purchaser. The Court ruled that in these circumstances the first-sale defense applied.

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[16] Quality King Distrib., Inc. v. L'Anza Research Int'l, Inc., 523 U.S. 135 (1998), in http://supct.law.cornell.edu/supct/html/96-1470.ZO.html, Access date August 11, 2006.

Chapter 4

Analysis of Thai Copyright Act Concerning First-Sale Doctrine in Thailand

To analyze the First-Sale doctrine, firstly, we have to focus on the principle of exhaustion of right. Exhaustion of rights, or the doctrine of exhaustion, is a concept in intellectual property law whereby an intellectual property owner will lose or "exhaust" certain rights after the first use of the subject matter which is the subject of intellectual property rights. For example, the ability of a trademark owner to control further sales of a product bearing its mark are generally "exhausted" following the sale of that product.

The concept typically arises in the context of parallel imports, and may therefore be relevant nationally, regionally or internationally, such that if a right becomes "exhausted" in one area or jurisdiction, an intellectual property owner may not be able to enforce its rights in another area or jurisdiction.
Different countries regulate the applicability of the doctrine of exhaustion in relation to different products in different ways.

4.1 Exhaustion of Rights in Thai Copyright Law

Copyright is one of the intellectual properties protected by law. The law aims to protect the work that the inventor tries his best to invent with his effort, intelligence, and ability from using without the authority and caused the damage to the inventor. It also aims to protect economic benefit that inventor should gain from his work. This will encourage the inventor to invent the valued work in the future. If there is no protection for work, there will be fewer inventors who put their effort to invent the valued work for public especially the work that needs the investment in terms of capital and intelligence, such as computer program development work, etc. The inventor must be protected by law for the channel to earn the benefit from capital and

intelligence and also get rate of return in appropriate amount compared with his effort on work additional from the capital.

The Copyright Act of 1994 determines the provisions of the protection of right for copyright owner in Section 15 that copyright owner has exclusive right to reproduce or modify, to perform to public, to rent out the original or copy of computer program, audiovisual work, movie and sound recording, to give benefit from copyright to others, and permit others to exercise the right on copyright work. According to Section 27 to Section 31 of Copyright Act 1994, many cases have been determined as the actions that are against the right of copyright owner, which is claimed as infringement. However, the right that the copyright owner has is not unlimited because if it is determined that the copyright owner can use their right to gain the benefit from his own copyright work unlimited, public will not gain any benefit from that work or get only a few benefits which is not appropriate to the right that the law determine to reward the copyright owner. In addition, copyright law does not occur in a legal vacuum but it occurs among many another laws. So, copyright law should have some relation of other laws which relates to copyright work.

For this reason, there are some questions about the limitation of the right of copyright owner. When the copyright owner has exercised his right, the question is where the end of the right is. In this article, it will discuss about the problems related to the case that the copyright owner exercises his right to produce, do, or set up the production of work combined with copyright work, then what is the limitation of the right of the copyright owner on that work under the copyright law by comparing with some parts of United States and Europe law respectively as follow.

4.2 Doctrine of First-Sale in US

According to United States law, the copyright owner has exclusive right to reproduce, prepare derivative works, distribute, and perform the copyright work to public.

In term of distribution in Section 106(3) of the United States Copyright Law, it is determined that the copyright owner has the exclusive right to distribute copy or phonorecord of copyright work to public by selling, transferring of ownership, renting, leasing or lending[1]. The infringement of this right includes the case that someone distributes copy or phonorecord of copyright work to public without the authority of the copyright owner.

Moreover, according to section 602(a), it is determined that the import of copy or phonorecord without the authority of the copyright owner is claimed as infringement. A person who infringes the distribution is the distributor of those copies or phonorecord. A person who gets the distribution, normally, is not illegal except that a person is a contributory infringer.

The law determines "distribution right" in order to provide the copyright owner the way to protect his copyright work. The most obvious case is the infringement of copyright owner by making copy or phonorecord of copyright work without the authority of the copyright owner. If the copyright owner has right only to prohibit the reproduction the copyrighted work, the copyright owner will not be able to protect his work from being copied to the public. It causes the copyright owner damage because when the infringed work performs to public, many people will use this infringed work and fewer will use the copyrighted one. Therefore, the copyright owner must have right to control the distribution to public. In addition, even the reproduction is legitimate and authorized by copyright owner, but if the promotion and distribution is not authorized by copyright owner, it will cause the copyright owner damage also. For example, if someone steals or embezzles the copy or phonorecord of copyright work from copyright owner's factory or go down, it can be seen that the reproduction of these copy or phonorecord is legitimate because it comes from copyright owner or is authorized by the copyright owner. The damage of the copyright owner does not depend on the reproduction but the distribution of copy or phonorecord to public.

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[1] Melville B. Nimmer and David Nimmer, NIMMER ON COPYRIGHT Vol.2 (1996), in http://www.blackwell-synergy.com/doi/abs/10.1111/j.10836101.1996.tb00059.x, Access date December 19, 2006.

Therefore, the copyright owner must have the right to control the distribution of copy or phonorecord of copyright work in this case.

Another important reason that the law determines "distribution right" for copyright owner only is the action reason. There are many cases that a person who infringes reproduces without authority and cannot be found because a person who infringes always hides the reproduction. So, it's hard to bring a person who infringes to be punished or in some cases, even a person who infringes cannot be found, a person who infringes cannot reimburse the damages to the copyright owner. In this case, the person who distributes copy or phonorecord illegally can be brought to be punished easier than the person who reproduces. Moreover, in the case that the person who distributes gains much benefit from infringement, the reimbursement from the person who distributes will be easier than from the person who reproduces. Therefore, the law determines the right to control the distribution for the copyright owner in order that when the illegal distribution occurs, the copyright owner will be able to protect his benefit.

The distribution right has the important exception called "Doctrine of First Sale" in Section 109(a), which determines that:

"Notwithstanding the provisions of Section 106(3), the owner of a particular copy or phonorecord lawfully made under this title, or any person authorized by such owner, is entitled, without the authority of the copyright owner, to sell, or otherwise dispose the possession of that copy or phonorecord."

Therefore, if the copyright owner lawfully produces or reproduces the copy or phonorecord his copyright work and has already distributed that copy or phonorecord to public, it means the copyright owner has completely exercised his own right and the right of the copyright owner on copy or phonorecord was exhausted. The right of the copyright owner on copy or phonorecord that was exhausted is only the distribution right on the copy or phonorecord that has already been distributed but the distribution right on the copy or phonorecord that hasn't been distributed still remains.

Moreover, the copyright owner still has other rights that the law determines[2], such as the right to reproduce, prepare derivative works, and perform to public, even the copyright has been distributed. Even though the copyright owner cannot prohibit the buyer to distribute the copyright work, the copyright owner can prohibit the buyer to reproduce or modify the copyright work and also can prohibit the buyer to perform the copyright work to public.[3]

The reason why the law determines the exception is that if the distribution of copy or phonorecord is made by the copyright owner or the copyright owner authorizes, it means the copyright owner has exercised his own right already[4] and there is no reason to protect the distribution right of the copyright owner anymore. If the copyright owner can still control the distribution of the work that has been distributed lawfully, it will be the obstacle of doing business and will be claimed as restraint of trade that is not fair and doesn't give any benefit to social. The copyright owner has gained the benefit from his effort, intelligence and ability that he deserves already. So, the copyright owner should not be able to control the distribution of copyright work that has already been distributed anymore.

Example 1 Company A is the copyright owner of music album X and produces the CDs of this music album to sell. Mr. B buys 5,000 CDs from company A. Mr. B sells these CDs for a special price to the person who buy other CD from Mr. B's store. In this case, company A cannot prohibit Mr. B to sell these CDs of music album X because all 5,000 CDs are produced lawfully by the copyright owner and Mr. B is the owner of these CDs lawfully. So, Mr. B has right to distribute these CDs as Section 109(a) of Copyright Act of United States.

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[2] Donald S. Chisum & Michael A. Jacobs, UNDERSTANDING INTELLECTUAL PROPERTY LAW (1992), pp.4-119.

[3] Columbia Pictures Industries, Inc. v. Aveco, Inc., 800 F.2d 59, 63-64, 230 U.S.P.Q. 869, 872 (3D Cir. 1986).

[4] Bobbs Merrill Co. v. Strauss, 210 U.S. 339 (1908), in http://cep.oxfordjournals.org/cgi/reprint/III/3/43.pdf, Access date September 2, 2006.

The provision of Article 109(a) is effective only when the distributor is the copyright owner. If the distributor is not the copyright owner and distributes that work, that person will be claimed to be an infringer, for example, when the possession is acquired by renting, leasing, lending or authorization of the copyright owner. But in some case, court defines that even it is not a "selling" in the contract, it is claimed as "selling" in action and the person who possesses the copyright work has right to distribute which is not claimed as infringement. This case always happens in movie industry when the copyright owner of movie film and theater business owner do not clearly specify that the copyright owner has "sold" movie film to theater business owner. The court in the United States judged that if the copyright owner disposes the possession of movie film to theater business owner without the limitation of possession period and theater business owner has given the appropriate amount of money to the copyright owner, it is claimed to be the transfer of ownership. Therefore, the theater business owner has right to distribute the movie film to other people[5]. But if it is specified in the contract between the copyright owner and theater business owner that there is a limitation of the theater business owner's right on the movie film and the copyright owner still has others right on that movie film, court claims that it is not the transfer of ownership. Theater business owner have no right to distribute the film[6].

One interesting case which applied "Doctrine of First Sale" is the case of Bourne v. Walt Disney[7]. In this case, the plaintiff, Bourne, charged defendant, Walt Disney, that Walt Disney infringed the right on Snow White and the seven dwarfs and Pinocchio cartoon movie songs by promoting and selling both cartoons in video. The movie songs were firstly composed by defendant's staff but the defendant made the contract to transfer the copyright to plaintiff in order that the plaintiff can gain commercial benefit and give some benefit to defendant. Refer to the condition in the contract,

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[5] United States v. Atherton, 561 F.2d 747 (9th Cir. 1977), Dowling v. United States, 473 U.S. 207 (1985), pp. 8-147.

[6] United Sates v. Wise, 550 F.2d 1180 (9th Cir. 1977), *cert. Denied,* 434 U.S. 929 (1977), pp.8-147.

[7] Bourne v. Walt Disney Co., 68 F.3d 621 (2d Cir. 1995), in http://caselaw.lp.findlaw.com/data2/circs/2nd/947793.html, Access date September 5, 2006.

defendant has right to put that song with the movie produced by defendant. The plaintiff claimed that they allowed defendant to use these songs in movie in the theater only, not include the movie in video. Even the defendant has right to use this song in video, defendant has no right to distribute the video. The plaintiff claimed that this is not under the doctrine of first sale because the plaintiff has never lawfully sold the video to defendant. The court judged as a contract that the plaintiff had authorized the defendant to use both songs in video. Before using "Doctrine of First Sale", the court has to consider that "the copyright owner get the reward from using copyright work or not." In the case, the plaintiff has already got the reward from defendant in term of right that plaintiff may gain the commercial benefit from both songs. When the defendant was authorized to use the movie songs in video and defendant has given the reward on using both songs already. So, the defendant has right to distribute the video resulted from the right on using both movie songs even the plaintiff never "sold" the video to the defendant before.

The doctrine of first sale is the exception for the distribution right of copyright owner. But the law has an exception that the doctrine of first sale cannot be used with the distribution by renting out phonorecord[8] or computer program[9]. The owner of copyright phonorecord or CDrom contained computer program can "sell" this work to other people but cannot bring the phonorecord and CDrom contained computer program to rent out.

The copyright owner distributes copyright work that he lawfully produce or authorize to produce in United States or any other countries, The Supreme Court in the United States has judged L'Anza Research International case that the buyer of copyright work has right to distribute that particular work and bring that work back to sell in the

[8] Record Rental Amendment Act of 1984, October 4, 1984, Pub. L. No. 98-450, 98 Stat. 1727.

[9] Computer Software Rental Amendment Act of 1990, December 1, 1990, Pub. L. No. 101-650, Sec. 801, 104 Stat. 5089.

United States. United States law uses international exhaustion of right[10] which differs from domestic exhaustion of right. It exhausts the right of copyright owner to control the distribution of the copyright work only when the copyright owner distributes that work domestically. If the copyright owner distributes that work in other countries, the right of copyright owner to control the distribution of the copyright work is not exhausted.

4.3 Doctrine of Exhaustion of Rights in Europe

The law system related to intellectual property in Europe consists of 2 parts. The first part is domestic law of member countries which determines the principle of the protection of intellectual property including copyright in terms of protected work, condition of protection, and period of protection. The second part is "Masstrieht Treaty" (Treaty of Rome) which is the law that determines the relationship between each member country. It is determined in Section 222 of Treaty of Rome that the provision of the treaty will not affect the regulation of member countries about ownership of property and it is determined in Section 36 that it might be prohibited for import and export in member countries because of the protection of commercial and industrial property. But the prohibition should not be the option that can be chosen or limit the trading between member countries. Moreover, the provisions must be under the doctrine of Europe which aims to make the unity in the market enacted as in Section 7A that the free movement of goods, person, service or fund should get the protection as provision of treaty. Therefore, the enforcement of intellectual property law in Europe must consider two parts together. The main principle of the protection of intellectual property should be compatible with the domestic law of member countries. However, the protection must not be against the unity of market in Europe.

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[10] Quality King Distributors, Inc. v. L'Anza Research International, Inc. , case no. 96-1470 (1998), in http://supct.law.cornell.edu/supct/html/96-1470.ZO.html, Access date August 11, 2006.

European Court of Justice judged that even Section 36 in Treaty of Rome authorizes the exception about free movement of goods. If the exception aims to protect industrial and commercial property but the exception has limitation only for necessary reason for the protection of industrial and commercial property. Even the law authorizes the exclusive right for the owner of intellectual property, the right is exhausted when the goods has been distributed lawfully in one of Europe's member countries with the authorization of the right owner.

However, the exhaustion of right limits only distribution right. Other rights, such as rental right will not be exhausted even if the right is authorized by the right owner.[11] For example, the plaintiff who is the right owner of a movie authorized to distribute the movie in video in Britain. At that time, Britain doesn't protect the rental right. The defendants bought the movie video from Britain and brought to Denmark to rent. At that time, Denmark has already protected the rental right. The plaintiff charged to prohibit the defendant to bring the video tape to rent in Denmark. European Court of Justice judged that even the plaintiff authorized the distribution of video tape in Denmark but the plaintiff didn't authorize to bring the video to rent in Denmark. When the rental right and distribution right is different right under the intellectual property law. The plaintiff uses the distribution right on video tape. It will affect only the exhaustion of plaintiff's distribution right but has no effect on the exhaustion of the plaintiff's rental right. The other case is the case between distribution right and public performance right. The European Court of Justice judged that even the copyright owner gets the award from authorized others to perform the copyright music to public in one country, the copyright owner still can get the award from authorize others to perform the copyright music to public in other country. This is because the public performance right will not be exhausted by the authorization of performing in public once. It is different from the distribution right of copyright work which will be exhausted when it is distributed lawfully with the authority of the copyright owner.

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[11] Case 158/86 Warner Brothers and Another v. Christiansen [1988] ECR 2605.

The distribution right is exhausted when the copyright work is made and distributed with the authority of the copyright owner. There is a case that the protection of one music copyright is expired in Denmark, so anyone can lawfully produce the record and sell it in Denmark. After that, someone buys the record and distributes in Denmark and Germany. At that time, the protection of the music copyright did not expired in Germany because the period of protection in Germany is different from Denmark. The copyright owner, therefore, charged and asked the court to prohibit the distribution of that record in Germany. The European Court of Justice judged that even that the record is lawfully made in Denmark but the copyright owner didn't give the authorization on that record. So, it cannot be assumed that the copyright owner has exercised his right on that record. The distribution right of the copyright owner is not exhausted. The copyright owner has the right to prohibit the distribution of the record in Germany.

The problem of copyright and doctrine of exhaustion has many dimensions. Next, the domestic problems will be discussed first and the international problems will be discussed later.

4.4 Copyright V. Right of ownership and other rights

4.4.1 Copyright and Right of Ownership

As it is said before, the copyright owner has an exclusive right in any action on copyright work, such as the reproduction of modification, public performance, renting, giving the benefit of copyright to others and authorizing other to use the right on copyright work. But at the same time, other laws gives the right to other people. So, there is a question how the right on copyright law and right on other laws interact to each other. The first case that should be considered is if someone buys a good that is copyrighted, what is the right that the buyer has on that goods.

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Example 2 Company A which is the copyright owner of music album X produces the CDs. Mr. C has bought one of those CDs to listen.

In this case, Mr. C bought the CD to listen, so he has the right of ownership on that CD but right that Mr. C has in this case is the right of ownership of that CD as an object while company A is copyright owner of the music contained in that CD. According to Section 1336 in Civil and Commercial Code, Mr. C has right of ownership to use, distribute, and gain the benefit from that property and has right to follow and bring back the property. But Section 27 and 28 in Copyright Act prohibits the person who has no copyright to reproduce, perform to public or rent the original or copy of copyright work without the authority.

Many actions, on behalf of right of ownership, has to be considered whether it can be done or not as in copyright law, such as when someone brings the CD to copy or open to the customer in the restaurant or entertainment place to listen is one was of using but copyright law prohibits the reproduction and perform to public. When someone bring the CD to rent is the way owner gain the benefit from his property but the copyright owner has right to prohibit the rental of copyright work without the authority also.

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In the case that the rights in both laws are opposite, the Civil and Commercial Code is the provision of law that affects general property but copyright law is the provision of the law that affects the copyright which is property, unshapely object which may has cost and can be carried". According to Section 138 of Civil and Commercial Code, which case that especially determine in copyright law has to follow that copyright law. Therefore, even if someone brings the CD to copy to sell to people is one way of using. However, copyright law prohibits the reproduction without authority, so Mr. C has no right to reproduce and bring the copy of CD to reproduce. It will be claimed as infringement Section 28(1) of Copyright Act 1994 same as when someone opens the CD to the customer in restaurant or entertainment place and rents

the copyright work which was specially prohibited, so the ownership of CD cannot bring the CD to use in that way.

The reason why the law authorizes the copyright owner to prohibit such action because the law aims to make the copyright owner to get the reward for putting the effort, intelligence, and money in order to motivate the copyright owner to develop and create new work for public and also motivates other people to put the effort to create his own work. When the copyright owner produces his work to sell to the public, the copyright owner has to set up the appropriate price for the buyer, also usage and value and benefit the buyer gaining from buying the copyright work. If the copyright owner sets the price too high, the fewer buyers can buy the work because the buyer will consider the price too high compared with the benefit he gains. On the other hand, if the copyright owner set the price too low, many buyers will be able to buy the work but the overall benefit that the copyright owner gets is not much. The way to make the copyright owner get the appropriate reward is to set up the different price for different buyer depend on the benefit that the buyer gets from copyright work.

Example 3 Company A is the copyright owner of Praupaimanee cartoon. Company A produce DVDs of that cartoon to sell. Company A sets up the selling price 200 Baht for people but 500 Baht for rental store. Company A can sell 5,000 DVD to people and 1,000 DVD to rental store. The total amount that Company A gets from selling DVD is 1,500,000 Baht.

In this case, if the company A sets up the same price which is 500 Bath, only some people will buy or no people will buy. Company A will get only 500,000 Baht from rental shop. However, if the company A sets up the same price which is 200 Bath, company A will get only 1,200,000 Bath because company A get less amount of money from rental shop. The way company A can get the best reward is that company A has to set up the different price for different customers as shown in the example. The rental shop can buy the DVD at a

higher price because these shops can gain the benefit from DVD's more that the money they lost but people want to privately see but cannot gain any commercial benefit. People will pay for the amount which is not too high compared with the benefit they gain. If the copyright law doesn't have the provision that prohibit people to bring the copyright work to gain commercial benefit, the copyright owner will not be able to set up the price in the way that he will get the worthy benefit.

From example 2, if Mr. C lends the CD that he bought to his classmate, the question is whether it can be claimed as an infringement on copyright or not because the lending in this way is one way of using property as right of ownership of Mr. C. It can be seen from Section 28(2) that the case that can be claimed as infringement must be public performance but in this case, Mr. C didn't perform the music contained in the CD to public, so Mr. C hasn't infringed on the copyright of Company A. In this case, the right of ownership doesn't oppose to right of the copyright owner. The ownership can exercise his right as enacted in Civil and Commercial Code.

The infringement in Thai law has one notice that is the law combines the prohibition of distribution on copyright work with the prohibition of promotion to public. Refer to example 2, if Mr. C is bored or doesn't like the CD he bought and want to sell it by using the rear of the car, the question is whether it can be claimed as an infringement of the copyright by promoting to public or not. According to Copyright law, this action is not the exception but it is decreed in Section 32 that:

"The action upon the other's copyright work according to this Act, if it is not against the way the copyright owner gaining benefit on his copyright work and has no effect on his right of copyright owner, it cannot be claimed as an infringement"

There are 2 ways to define this provision. The first one is Section 32(1) is the exception apart from other exceptions and can be effective alone. The second way is this provision is not the alone exception and has to be used with other exceptions. When we consider the provisions in section 6 of Copyright Act 2537, it can be seen that there is no provision which clearly specifies that Section 32(1) is the exception that has to be used with other exceptions. On the other hand, Section 32(2) is the specified exception that has to be used under Section 32(1). [It means that the provision in Section 32(1) is exception affected other exceptions and other exceptions is specify because it is clear that it is not an infringement and people can do it even it is not specify exception.] If it is not against the way the copyright owner gaining benefit on his copyright work and has no effect on the right of the copyright owner, it can be claimed that it is not an infringement as Section 32(1). If we define by limiting exception that the law especially specifies, it has no advantage to follow the objective of Copyright law. Because the exception in Section 32(1) determines that if it is not the infringement of the right, it must not be against the way the copyright owner gaining benefit on his copyright work and has no effect on his right of copyright owner. Therefore, the action which is not specified as an exception doesn't cause the copyright owner to lose his benefit; it is not necessary for the law to limit in order to protect the right of copyright owner.

In above case, Mr. C want to sell the CD he bought to other people. It can be seen that the CD is produced lawfully by copyright owner and the copyright owner has already got the benefit. So, if Mr. C wants to sell this CD, it does not relate to the objective of the copyright law that wants to protect the copyright owner to get the appropriate benefit from the copyright work. In this case, it can be claimed as the exhaustion of right. So, if the copyright owner controls the selling of the CD, it will not create any benefit in term of motivation for new works, but it will cause the obstacles in making business. The important point is the right of the copyright owner has been protected and the copyright owner has got the benefit. If we consider with Section 32(1), it

can be seen that this action is not against the way the copyright owner gaining benefit on his copyright work because he has already gain the benefit. Moreover, this action doesn't affect the right of the copyright owner because the production and promotion of CD's are authorized by the copyright owner according to Section 32 (1) of Copyright Act 2537.

4.5 The Consideration of Exhaustion of Right, Parallel Import, and Territorial Restriction in Distribution of Goods.

The doctrine of exhaustion of right relates closely to the parallel imports problem. The character of parallel imports is such as when the copyright owner sells or authorizes other people to sell the copyright goods in one country, and then the copyright owner wants to exercise his right as copyright law to prohibit other people who are not authorized to import copyright goods from another country to sell in that country to compete with existing goods. The goods related to this case are all produced and sold lawfully, not sneakingly produced without authority. The question here is whether the copyright owner has right to prohibit other people to parallel import or not or should it be claimed that it is the exhaustion of right and no more right to parallel import.

The reason why the copyright owner wants to prohibit the parallel import is because the copyright owner separates the territorial restriction in distribution of goods and the copyright owner will be responsible in some part and authorizes other people to be an exclusive distributor in some part. The copyright owner will get the benefit as royalty or different of the price that send to exclusive distributor. The territorial restriction in distribution of goods can be seen in the following example:

Example 5

Country 1	Country 2
Company A ---CD=300 Baht	Company B CD=300 Baht

Country 3	Country 4
CD = 200 Baht	CD = 150 Baht

From the above example, supposed that these four countries have connected territory. Company A, established in Country 1, is the copyright owner of music album X. Company A produces the CD of this music album and sells it in country 1 and country 2 and authorizes company B to be exclusive distributor in country 3 and authorized company C to exclusive distributor in country 4. Also prohibit company B and C to send this CD to distribute in country 1 and country 2. Company A sets up the price for CD as 300 Baht while company B sells this CD 150 Baht and company C sells this CD 150 Baht. Company B and C has to pay Company A 10 percent of set up price.

The copyright owner makes the contract authorizing other people to be exclusive distributor in one territory because the copyright owner wants to motivate the exclusive distributor to fully develop the market for the goods in that territory. Normally, to develop the market has to put the effort on advertisement, public relations and goods introduction. If the exclusive distributor is not confident that he can fully gain the benefit from investment, the exclusive distributor will not be confident to invest. Because there might be other people gaining benefit from his investment by selling the goods at a lower price because these people have no cost for market development as exclusive distributor.

Even if there are exclusive distributors in each country, the price in each country is still different. The causes of the different price are many reasons, such as the expense from market development in some countries (country 3 and 4) may be lower because

the labor cost and material are cheaper. The company that are responsible for market development in some countries may not put the effort on public relation or goods introduction as it should be. So, there is no cost for these parts and they can set up the lower price. Or it is because the protection of right is different in each country, if some countries don't pay attention to the protection of intellectual property, the exclusive distributor may not be able to set up the high price. This is because the price will not be able to compete with price of fake goods. Moreover, another reason may be because the period of protection in each country is different. The copyright in one country may be expire before another country. To distribute the goods in one country where the protection has expired, the high price can't be set up as other country because if the price is too high, there might be more competitors of the goods.

Refer to example 5, if afterward company D buys 1,000 CDs from country 3 and wants to import to country A to distribute in 250 Baht. This kind of marketing by company D is called "Gray Market". This action is not totally against the law because the import goods are legitimate goods. However, to import the goods to distribute doesn't follow the agreement that the copyright owner determines. In this case, company A should have the right to prohibit company D to sell this CD in country 1 because company A will not be able to distribute the goods company A produced.

Country 1 Company A CD=300 Baht
Country 2 Company B CD=200 Baht

Company D CD = 250 Baht

4.5.1 The Effect of Territorial Liberation in Distribution of Goods

(1) The exclusive distributors have no motivation to invest in market development because other people will gain the benefit from their investment, known as free rider, by distributing goods at a lower price. The free riders have no cost and capital in market development.

(2) The copyright owner may decide not to sell his goods in some countries because in some countries, the high price cannot be set up because of one of the above reasons. Therefore, there might be someone who brings goods from those countries to sell in the country that the copyright owner can set up the higher price, making the copyright owner lose his benefit.

4.5.2 The Effect of Territorial Restriction in Distribution of Goods

(1) It makes the price of the goods in each country overlap. The price of goods in one country may be higher that the price of goods in another country

(2) The exclusive distributor may intend to reduce the quantity of goods in that territory to make the goods not enough for the demand. It makes the price higher then it should be.

(2) The territorial restriction in distribution of goods is the obstacle of free trade in which the obstacle occurs from the private sector. So, the goods cannot be freely sold in other countries as market mechanism.

4.5.3 The Consideration in Term of Law Policy about Parallel Import and Doctrine of Exhaustion of Rights

The problem from the prohibition of parallel import occurs from the protection of copyright owners on their copyrighted work. But when the copyright owner

has exercised their right, the question is the copyright owner should get the law protection in any case or not or the right should be limited.

The law protects the copyright owner not only because the copyright owner is the one who put the effort, intelligence, and ability to create the copyright work, but the law also aims to protect the copyright owner to gain the benefit for putting the effort, intelligence, and ability to create the copyright work and motivate the copyright owner to create new works for the benefit of the public. To set up the policy, the copyright owner's benefit and public's benefit have to be considered together. It will create the balance of both benefits. If the law protects the copyright owner too little, the copyright owner has no motivation to create new works. On the other hand, if the law protects the copyright owner too much, the public will not get any benefit from the copyright work or "capital and benefit" that social has to give in order to get the benefit from the copyright work will be too much compared with benefit that public gains.

When considering the right of the copyright owner on promotion in one country, it may consist of 2 main reasons; the first one is the private reason of the copyright owner to promote to public or not to promote in any country. The copyright owner may have his own private reason not to promote his work in any country, such as the reason of culture, religion, or belief of people in that country. The copyright owner's work may affect the main belief of people in that country. So, the copyright owner may not promote his work in that country. The second one is economic reason in which the copyright owner can perform his work in any country to get the benefit or economic benefit from that promotion. If the copyright owner thinks that he doesn't get the appropriate benefit, the copyright owner will be able to prohibit the promotion of his work in any country.

In terms of parallel imports and territorial restriction in distribution of goods, the copyright owner can choose to or not to promote his work in any country. So, it can be seen that the copyright owner doesn't have the objection with

private reason to promote his work in that country. Otherwise, the copyright owner will not authorize the promotion at first. The difference between promotion and distribution of copyright work in each country doesn't come from the private reason but the economic reason regarding the benefit that the copyright owner will get from the promotion in each country as shown in example 5. Company A authorizes company B and C to promote in country 3 and 4, it can be seen that company has no objection on the promotion in those countries. The difference between promotion in country 3 and 4 is only price and benefit that company A will get.

According to the economic reason, the copyright owner promotes his copyright work in one country by himself or authorizes other people to promote instead, normally the copyright owner will get the benefit from promotion or authorizes the promotion in that country in term of profit from selling the goods or royalty. The benefit has to be satisfied for the copyright owner and appropriate for the copyright work. Otherwise, the copyright owner will not authorize at first. This means that the right of the copyright owner on promotion of copyright work has been protected. When someone buys the copyright goods in one country and import to sell in another country, it can be claimed that it is the exhaustion of right of copyright owner. The copyright owner should not have the right to refer to the copyright law to prohibit the import in another country in order to gain the benefit directly or indirectly again. This action is not against the way the copyright owner to gain benefit from his copyright work and not affect the right. So, it is not the infringement of the copyright as Section 32(1) of Copyright Act 2537.

The exhaustion of right should be effective whatever country the first sale occurs, the international exhaustion of right will also be effective. To define in this way, it should be compatible with the right of the copyright owner also. According to international copyright law, if the copyright owner firstly promotes his work in Thailand or another country that is a member of the Berne Convention or firstly promote in another country which is not a member

of the Berne Convention but promote in other countries that are member of the Berne Convention within 30 days from the first day of promotion. The copyright owner will be protected in Thailand and other countries that is member of Berne Convention also. When it is the right in the international level, the exhaustion should be international also. The result of international exhaustion of right will be the same as the judgment of Supreme Court in the United States of L'Anza Research international case.

One notice of doctrine of exhaustion of right is the goods that have copyright work must be lawfully made and with authorization directly or indirectly of the copyright owner. The copyright owner will not be able to control or limit the distribution of those goods when the goods are already distributed in the market. If the goods are not lawfully made or even the goods are lawfully made but without that authority of the copyright owner directly or indirectly, such as the expiration of the protection on one country leads to the production of goods without authority, the goods are distributed in another country where the copyright is not expired and still gets the protection, the copyright owner has the right to prohibit the import of those goods. It cannot be claimed that the copyright owner has exercised the right on the goods that will be imported to sell. The copyright owner can use the right to protect the import.

However, regarding the parallel import, it doesn't mean that if the copyright owner cannot refer to the protection as copyright law to prohibit the import, the copyright owner cannot refer to anything. The copyright owner still has right to refer to the contract that authorized the distribution of the copyright work in other countries which prohibit to export the goods to other countries without the authority in order to ask for the damages from the person who is authorized if the person who is authorized does something against the contract. This rule is the agreement between contractors and the contractors have to respect and follow. This is the rule between private section which is different from copyright law related to government power and penalty. Definitely, the efficiency of private rule cannot be compared with the government power that

can be used as a tool to get the maximum profit from copyrighted work. But in this case, it is the effect that the copyright owner has to accept from the promotion of copyright work with the authority.

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Chapter 5
Conclusion and Recommendations

5.1 Conclusion

The copyright law is a part of intellectual property law which aims to protect the right of the inventor and the right to get the benefit of copyright owner and to motivate for new valued inventions for social good. However, the right given by law has to be limited in order to create the balance between the benefit that copyright owner gains and benefit that social get from the copyright work. When the copyright owner exercises his right and get the protection and benefit for his knowledge, ability, and resources that he invests in order to create the work by distribution or authorizing other people to distribute the good that combines with copyright work. This is the exhaustion of right of the copyrighted owner. The copyright owner has no right to control the distribution of goods that are promoted to public and sell in the market with the authority of the copyright owner wherever the distribution takes place.

According to the first-sale doctrine which was created by the US, I do not agree with the Thai law that adopted this doctrine even if this doctrine concludes that the section 15 of Thai Copyright Act is the First-sale doctrine but because of the difference in our country's economic, social and political areas, especially technology which is more advanced than Thailand. This doctrine gives benefits to the United States because in the US there are many states and these states have to help each other. Using the doctrine is proper to these states because making these states trade freely and allowing benefits to the consumer because it settle the boundaries but in Thailand as we can see, we are not like US but we can compare and use the exhaustion of right in the E.U. because in the E.U. there is clear developing the principle, for example, free movement of goods, existence and exercise which is easy use to Thai system more than the US first-sale doctrine, and the most important is some of the E.U countries use the civil law system just like Thailand.

The exhaustion of right principle is the principle that maintains and "uses" the right for both producer and consumer but the first-sale doctrine only focuses on the copy of copyrighted work in the first sale that is very narrow, and the object of the exhaustion is the product or goods pass the existence and exercise and depend on whether which way the intellectual law will aim to. These things that are unstable depend on analysis and interpretation of the law. And the last is the permission principle and implied license which is the principle of exhaustion but the first-sale is the result of the law also not depend on the agreement even in the agreement say it can be done in the contract however it cannot be done.

The issue of exhaustion of rights and parallel import both involve the legitimate copies made by the right holders or through their consent. The important thing is how far the right holders should be allowed to retain the exclusive right of distribution of the goods in the case of the principle of exhaustion involving patent and trademark. There are 3 kinds of practices. First, it is the national exhaustion of rights (USA) which means that the right holders in any particular country have the exclusive rights of distribution which will be exhausted after the first sale of such goods in that country. Second is the regional exhaustion of rights (EU) which means that the right holders in any regional economic community such as the European Community have the exclusive right of distribution which will be exhausted after the first sale in any member economy of such economic community. The European Community has this well-established practice of intra-Community exhaustion and extra-Community non-exhaustion. The third kind is the international exhaustion (Thai) which holds that the right holders will be deemed to have exhausted the exclusive right of distribution after the first sale of their goods anywhere in the world. The last alternative does back up the idea of global sourcing and global marketing as well as global pricing.

The principle of parallel imports means that anyone can freely import the legitimate copies of intellectual property products into a country without seeking permission from the right holders beforehand. The right holders argue that they should have the exclusive right of importation to guarantee the quality and service on the goods as well as reasonable pricing for each individual market. They have been demanding for

the ban on parallel import. On the other hand, attention must be paid to the public interest in terms of choice of products. Is there any strong public interest to compel the consumers to buy legitimate goods only from the right holders or their agents?

The issues of exhaustion of rights and parallel import have to be determined not only from the perspective of intellectual property but also from that of the public policy on how far free competition should be allowed or encouraged in the distribution of goods.

5.2 Recommendations

I recommend no change to Thai Copyright Act at this time but I recommend that we should focus on cases in the common law system. Although speculative concerns have been raised, there was no convincing evidence of present-day problems. In order to recommend a change in the law, there should be a demonstrated need for the change that outweighs the negative aspects of the proposal. I believe that the Department of Intellectual Property (DIP) does not believe that this is the case with the proposal to expand the Thai Copyright Act especially the "first-sale" doctrine to include digital transmissions. The time may come when the IP Court and DIP may wish to address these concerns should they materialize.

The fact that we do not recommend adopting a "first sale" provision at this time does not mean that the issues raised by the legal problems and principles are not potentially valid concerns. Similarly, our conclusion that certain issues are beyond the scope of the present study does not reflect our judgment on the merits of those issues.

5.2.1 Recommendations Concerning Temporary Incidental Copies

Representatives of the webcasting industry expressed concern that the case-by-case fair use defense is too uncertain a basis for making rational business decisions. We agree. While we recommend against the adoption of a general exemption from the reproduction right to render noninfringing all temporary

copies that are incidental to lawful uses, a more carefully tailored approach is desirable.

I recommend that the government should control the CD producer, Law and regulation to preclude any liability arising from the assertion of a copyright owner's reproduction right with respect to temporary buffer copies that are incidental to a licensed digital transmission of a public performance of a sound recording and any underlying musical work.

The economic value of licensed streaming is in the public performances of the musical work and the sound recording, both of which are paid for. The buffer copies have no independent economic significance. They are made solely to enable the performance of these works. The uncertainty of the present law potentially allows those who administer the reproduction right in musical works to prevent webcasting from taking place - to the detriment of other copyright owners, webcasters and consumers alike - or to extract an additional payment that is not justified by the economic value of the copies at issue. Legislative action is desirable to remove the uncertainty and to allow the activity that the government sought to encourage through the adoption of the section 27 webcasting compulsory license to take place.

Although I believe that the fair use defense probably does apply to temporary buffer copies, this approach is fraught with uncertain application in the courts. This uncertainty, coupled with the apparent willingness of some copyright owners to assert claims based on the making of buffer copies, argues for statutory change. We believe that the narrowly tailored scope of our recommendation will minimize, if not eliminate, concerns expressed by copyright owners about potential unanticipated consequences.

Given my recommendations concerning temporary copies that are incidental to digital performances of sound recordings and musical works, fairness requires that we acknowledge the symmetrical difficulty that is faced in the

online music industry: digital performances that are incidental to digital music downloads. Just as webcasters appear to be facing demands for royalty payments for incidental exercise of the reproduction right in the course of licensed public performances, it appears that companies that sell licensed digital downloads of music are facing demands for public performance royalties for a technical "performance" of the underlying musical work that allegedly occur in the course of transmitting it from the vendor's server to the consumer's computer.

Although I recognize that it is an unsettled point of law that is subject to debate, I do not endorse the proposition that a digital download constitutes a public performance even when no contemporaneous performance takes place. If a court were to find that such a download can be considered a public performance within the language of the Copyright Act, we believe that arguments concerning fair use and the making of buffer copies are applicable to this performance issue as well. It is our view that no liability should result from a technical "performance" that takes place in the course of a download.

5.2.2 Recommendations Concerning the Parallel Import

The parallel import affects the real producer or agent directly, how to prove this problem and the answer is there is no law in Thailand forbid about this parallel import. So if the product cause problem or whatever it will demolish the real owner's reputation from the agent that imports the defective goods. At this point, I recommend that the product should have code or sticker that say where is it come from or who produce this product, to make it different from the original or the product that already in the market. The other way should be to advertise to the public about how the distributor will causes disadvantage to the unauthorized importation even that agent sell the genuine product and the consumer can make a decision.

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