

## FEBRUARY 2009 Thailand: Supreme Court rules on licence agreements

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In *Caltex Oil (Thailand) Co, Ltd v Andaman Oil Pte Ltd*, the Supreme Court ruled that a trade mark licence agreement is a type of reciprocal agreement, and, in case it is not registered, only the terms and conditions for use of trade marks or service marks are invalid and unenforceable.

Caltex Oil and Andaman Oil entered into a trade mark licence agreement by which Caltex was permitted to use the service mark Star Mart and to use the Star Mart system of convenience store business management to operate the Star Mart convenience stores.

In default of royalty payment by the Andaman Oil, the licensor terminated the trade mark licence agreement and filed a civil suit with the Intellectual Property & International Trade Court. Andaman Oil was held to be in default of the payment of royalty and liable for monetary damages. Andaman Oil appealed to the Supreme Court on the grounds that the trade mark licence agreement was invalid and unenforceable because it was not registered, as required, under Section 68 of the present Thai Trade Mark Act.

The Supreme Court determined that the Caltex Oil and Andaman Oil, at the time of entering into the trade mark licence agreement, had the intention that it was a type of reciprocal agreement. This was supported by the mutual performance by the parties of the obligations in accordance with the terms and conditions until the termination of the trade mark licence agreement.

The Supreme Court ruled that only the terms and conditions in respect of the use of the service mark Star Mart should be invalid and unenforceable because the trade mark licence agreement was not registered, as required under Section 68 of the present Thai Trade Mark Act.

Based on Section 173 of the Civil and Commercial Code, the terms and conditions concerning the use of the Star Mart system of convenience store business management to operate the Star Mart convenience stores are valid and enforceable because they should be severable from the invalidity of the terms and conditions in relation to the service mark Star Mart.

In the light of the above, it is important to bear in mind that a trade mark licence agreement has to be filed for registration with the Department of Intellectual Property.



*Varunee  
Ratchatapattanakul*

**Tilleke & Gibbins International Ltd**  
Supalai Grand Tower, 26th Floor  
1011 Rama 3 Road, Chongnonsi, Yannawa  
Bangkok 10120  
Thailand  
Tel: +66 2653 5555  
Fax: +66 2653 5678  
[bangkok@tillekeandgibbins.com](mailto:bangkok@tillekeandgibbins.com)  
[www.tillekeandgibbins.com](http://www.tillekeandgibbins.com)