

Informed Counsel

Analysis of Recent Legal Developments in Thailand and Vietnam



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- 1 Damages Awards in IP Cases
Contrary to its traditionally conservative practice, Thailand's IP&IT Court has provided large damages awards to IP owners in several recent cases.
- 3 U.S. Law on Unlicensed IT
A new law in Washington State affects companies that use unlicensed or pirated IT in their manufacturing operations, regardless of where they are located.
- 4 Post-Termination Licensee Issues
When faced with a local licensee that continues production after termination of a licensing agreement, IP owners may pursue search-and-seize orders to bring a halt to the unauthorized activities.
- 5 Thailand PCT National Phase
Beginning in late June 2011, Patent Cooperation Treaty National Phase applications are now being filed in Thailand.
- 6 Landlord Liability for IP Infringement
In the absence of specific legislation holding landlords responsible for the sale of counterfeits on their premises, IP owners may take action against landlords based on contributory liability.
- 8 Corporate Relocation
Employers that plan to relocate need to be mindful of Thai labor law provisions governing the relocation process.
- 9 Legal Due Diligence
Legal due diligence forms an essential part of M&A transactions, but the process remains subject to certain limitations in Thailand.
- 10 Condo Standard Purchase Agreements
The Thai Condominium Act specifies a standard format for sale and purchase agreements in order to protect purchasers.
- 11 Mobile Services and Mobile Phones
New regulations in Vietnam affect telecommunications providers and the importation of mobile phones.
- 12 Tilleke & Gibbins Updates
The World Customs Organization, Asian Legal Business magazine, and the IAM Strategy 250 have recently honored Tilleke & Gibbins.

Damages Awards Increasing in Thai IP Cases

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In pursuing civil litigation in court, most IP owners will first and foremost seek an injunction against any infringing activities. In addition, IP owners will often demand adequate damages as compensation for the irreparable harm suffered due to the infringement of their intellectual property rights. Most IP owners typically seek damages in an amount that will sufficiently cover lost revenue and sales so that, financially, the IP owner is returned to the same position as if the infringement had not occurred.

In many cases, however, the amount of damages awarded by the Thai Intellectual Property and International Trade Court (IP&IT Court) may be significantly lower than the actual injury or losses sustained by the IP owner. Since the IP&IT Court's establishment in 1997, limited damages awards have proved to be an obstacle and a strong deterrent for IP owners considering litigation. However, IP owners have new reason for optimism in this area, as several recent decisions have provided large damages awards to plaintiffs.

Assessing Damages

IP owners have the fundamental right to bring claims against infringers who knowingly engage in an infringing activity. The right to bring a civil action against an infringer is outlined in Part 5 of the Civil and Commercial Code (CCC) regarding wrongful acts (similar to tort law in other jurisdictions).

In particular, Section 438 of the CCC provides an essential guideline for the court to estimate the amount of damages, as pursued in the case, by making such awards based on the *actual* amount of damages suffered by the infringed party. This means that the damages that are awarded are a direct reflection of the infringement, which must be proved by providing clear-cut evidence.

It must be noted, however, that the law does not provide fixed criteria regarding methods for assessing and calculating damages. Therefore, assessment of damages is typically left to the sole discretion of the court. According to Section 438, the court is allowed to evaluate the "circumstances and the gravity of the wrongful act" and determine the damages accordingly.

Rationales for Rejection

In rejecting requests for compensation, the court has cited a number of rationales, including the following:

1. The amount of compensation, as claimed, is found to be based on the future assumptions of the plaintiff.
2. There is insufficient evidence to demonstrate the actual damages as claimed.
3. The legal fees, as claimed, are found to be excessive for the necessary enforcement of the plaintiff's rights.

In putting forward these explanations, the Thai IP&IT Court, as of today, has never specifically clarified the extent of the evidence that is required to prove actual damages or to prove the expenses incurred by the IP owner during the case.

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Burden and Difficulties

The IP owner, as the plaintiff, is required to undertake a virtually impossible task of demonstrating all the potential causes for its lost sales, other than through the conduct of the infringer. This requires the owner to provide clear-cut evidence to demonstrate the exact amount of damages.

This requirement can become even more onerous because, in general, an infringer's profits cannot be used as a benchmark for awarding damages in a Thai court. With respect to lawyer's fees, Thai civil procedure law restricts the maximum rate that can be fixed by the court to 5 percent of the claim amount.

All of this presents a challenge for infringed IP owners who wish to successfully pursue litigation through the courts as a means to recovering monetary damages. However, the Thai IP&IT Court has recently shown encouraging signs of changing its practice through the exercise of its sole discretion.

Recent Trend Favoring IP Owners

Thai law provides sole discretion and broad criteria for the court to assess the amount of monetary damages on a case-by-case basis. This approach is actually encouraging for IP owners, as evidenced by some recent cases in which the court provided damages awards favorable to IP owners.

Copyright Infringement

In February 2008, the Supreme Court concluded a long legal battle between Tsuburaya Productions of Japan and Tsuburaya Chaiyo Co., Ltd., a Thai company, by awarding one of the highest payouts for damages ever seen in a copyright case in Thailand. The case involved the rightful ownership of copyright over the artistic works of a famous superhero character, Ultraman. The Japanese company won the case, and the Thai company was ordered to pay THB 10.7 million (about USD 358,270) in compensation, along with interest of 7.5 percent per year, from the date of filing the case (December 1997) until the total amount has been fully paid. [Supreme Court Judgment No. 7457/2550 (2007)]

The assessment of the total damages awarded in this case was derived from the numerous infringement activities of the Thai company. In particular, the Thai company acted as the real copyright owner of the Ultraman character for a period of several years, heavily marketing its products in many provinces in Thailand and licensing the Ultraman copyright works to other companies without the authorization of the Japanese company.

Infringement and Cancellation of Trademarks

In February 2011, the IP&IT Court announced a judgment in favor of our client, an Italian fashion brand that was established by twin Canadian brothers. The Court ruled that the infringer's 18 similar trademarks should be cancelled from registration based on the better rights of our clients and passing-off claims. The Court also ordered the defendants to compensate the plaintiff for the amount of THB 100,000 (about USD 3,350) per month, calculated from the date the plaintiff filed the complaint to the date the defendants withdrew their registered trademarks or the date the defendants ceased to infringe the plaintiff's trade-

marks, which amounted to THB 1 million (about USD 33,500) upward by the time the judgment was rendered at the IP&IT Court as the court of first instance. [IP&IT Court Judgment Red Case No. TorPor9/2554 (2011)]

This is one of a number of recent trademark infringement cases in which the IP&IT Court has awarded plaintiffs damages of THB 100,000 per month, calculated from the date the complaint was filed.

Misappropriation of Trade Secrets

In April 2011, one of our clients won a historic judgment in a case against its former Thai employees. These employees had misappropriated our client's valuable trade secrets in relation to magnetic powder technology.

The IP&IT Court awarded an injunction against the use and disclosure of the plaintiff's trade secret technologies, including machines, processes, and related information. The plaintiff received substantial damages in the amount of THB 20 million (about USD 667,000), including an interest payment of 7.5 percent per year, starting from the date of the complaint until the completion of the payment. In addition, the defendants were ordered to pay the plaintiff's legal fees in the amount of THB 100,000.

This total sum also included a penalty of THB 1 million (about USD 33,500) per month for any further infringing acts, as of the date of judgment. It was also ruled that all of the defendant's machines, equipment, information, and products, which infringed our client's trade secrets, would be vested with our client. The machinery has an estimated value of more than THB 30 million (about USD 1 million). [IP&IT Court Judgment Red Case No. TorPor38/2554 (2011)]

This case has gained recognition as being one of the most exceptional IP civil litigations undertaken in Thailand, as it was the first case in which a trade secret owner has successfully enforced against trade secret misappropriation in Thailand. In addition, the damages award is also the largest amount ever provided by the IP&IT Court, with total damages of at least THB 52 million (about USD 1.7 million).

Conclusion

The structure of the Thai civil court system and the civil remedies for IP infringements have long had a reputation as being relatively weak, particularly in regard to the awarding of damages. This was due, in part, to the requirement that IP owners prove, with absolute certainty, all elements of the damages sought.

In spite of the practical difficulties involved in gauging the amount of damages necessary to adequately compensate infringed IP owners, these recent court cases show that the Thai IP&IT Court is finally revising its traditionally conservative practice of awarding low amounts. Of course, because Thailand is a civil law country, the court will not rely entirely on precedents in order to estimate damages in future cases. In the absence of specific guidelines on how to assess damages, the IP&IT Court will need to evaluate the relevant circumstances of each case and the gravity of each wrongful act, as it did in the cases described above. Nevertheless, IP owners now have a much clearer picture regarding the type of information that needs to be provided to the court in order to achieve a favorable damages award. ⚖️