

Thailand

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Nature of Licence Agreements

Definition

A licence agreement is simply a contract that governs duties, rights, and obligations between parties to a transaction. The licensor is generally the owner or holder of title to certain rights and the licensee is the party who has contracted to use some or all of those rights with or without certain restrictions.

Licence agreements arise in many contexts in Thailand. For example, some licences are created in the process of selling a business, while others arise as the result of a party's wish to grow or develop by acquisition of rights to new technologies, trade marks, content, or other valuable assets. Still other licences arise in the end game of litigation.

This chapter will address several issues that commonly arise in licensing in the Thai context. As demonstrated below, licence terms may be dictated by legislation, negotiation, or practical considerations that have critical importance in Thailand. Specifically, although Thailand is generally a 'freedom of contract' jurisdiction, some provisions are absolutely required in certain licence agreements, while other terms are not permissible or advisable in such agreements.

National Legislation

Thailand is a civil law jurisdiction. No specific legislation offers a comprehensive guide to licensing in general. Instead, a practitioner confronted with instructions

to draft or interpret a licence agreement in Thailand will generally need to be familiar with the following sources of law:

- Civil and Commercial Code;
- Trade Mark Act BE 2534 (AD 1991), as amended by Trade Mark Act (Number 2) BE 2543 (AD 2000);
- Patent Act BE 2522 (AD 1979), as amended by Patent Act (Number 2) BE 2535 (AD 1992) and Patent Act (Number 3) BE 2542 (AD 1999);
- Copyright Act BE 2537 (AD 1994);
- Trade Secrets Act BE 2545 (AD 2002);
- Protection of Layout-Designs of Integrated Circuits Act BE 2543 (AD 2000);
- Unfair Contract Terms Act BE 2540 (1997);
- Trade Competition Act BE 2542;
- Act relating to Price of Merchandise and Service BE 2542; and
- Revenue Code BE 2481.

Each Act cited above is implemented by a set of Ministerial Regulations. The legislative sources cited above touch on only a few basic aspects of licence arrangements. The parties must negotiate most of the terms of a given licence. A bargain at arm's length will generally not be disturbed by the Thai courts unless there is a clear public policy reason to do so.

Interpretation of Licensing Agreements

Terms Mandated by Law

In several contexts described more fully below, substantive governing law will require that a certain term must appear in the licence agreement in order for the agreement to be recognised by the courts and enforceable. The recitation of required terms depends on the subject matter of the licensing transaction.

For example, under the Trade Mark Act, owners of trade marks or service marks registered in Thailand who license other parties to use their trade marks or service marks for any or all of the goods or services for which the marks are registered are legally required to register the licence agreements with the Registrar of the Trade Mark Office of the Department of Intellectual Property.¹ If a

¹ Trade Mark Act, s 68.

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trade mark owner intends to allow the license to sub-license, the licence agreement must so state. If a licence agreement allows the licensee to sub-license a Thai registered trade mark to another person, the sub-license agreement between the licensee and sub-licensee also must be in writing and registered with the Registrar. To be registrable,¹ a trade mark licence agreement must contain the following particulars:

- The terms and conditions of the agreement between the owner of the registered mark and the authorised licensee, under which conditions the former must actually be able to control the quality of goods manufactured or services rendered by the latter; Thailand has adopted new legislation on product liability. The Unsafe Goods Liability Act (the 'Product Liability Act'),² which came into effect in February 2009, was designed to protect consumers who incur damage from unsafe or defective products by imposing strict liability on those involved in the manufacture and sale of the products. The Act may have some implications for intellectual property owners who license technologies and/or trade marks to others to produce, import, or sell a product which may cause harm to consumers, depending on the role and level of involvement of the licensor. In addition, any local licensees, distributors, retailers, or component or ingredient producers who are involved in the chain of production and distribution could potentially face liability if the product causes harm to consumers.
- The goods or services for which the licensed mark is used;
- Whether the authorised licensee has the exclusive right to use the mark or whether the owner of the mark can license other parties to use the mark; and
- Other particulars, such as the specific term or duration of agreement.³

In 2002, the Supreme Court granted a judgment⁴ holding that a trade mark licence agreement for a trade mark registered in Thailand must be in writing and registered with the Trade Mark Registrar. Otherwise, such licence agreement will be void.

¹ Trade Mark Act, ss 7 and 8.

² Unsafe Goods Liability Act, BE 2551.

³ Trade Mark Act, s 68.

⁴ Supreme Court Judgment Number 2213/2545 (2002) and Judgment Number 770/2540 (2004).

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Neither the Trade Mark Act nor other intellectual property statutes in Thailand create specific penalties for failure to adhere to the requirement to register licences. Therefore, on the basis of the Supreme Court decision, it would be arguable that unregistered licences under other areas of Thai intellectual property (for example, patent rights) also could be void.

Some terms are generally forbidden by law in Thailand. For example, an agreement made in advance exonerating a debtor from his own fraud or gross negligence is void as a matter of law.¹ Other examples of terms that may run afoul of the Thai Unfair Contract Terms Act include terms that:

- Exempt or restrict liability arising from breach of contract;
- Allow contract termination without reasonable grounds or without any material breach by the other party;
- Allow one party to delay or not to comply with its contractual obligations without reasonable grounds;
- Allow one party to enforce further obligations on the other party than those agreed to on the date of contract execution;
- Allow for confiscation of deposits (or liquidated damages) that are excessively high in relation to the damages arising or resulting from a contract under which the deposit was placed;² and
- Constitute terms, notices, or statements made in advance that restrict or exempt liability for infringement or breach of contract with respect to injury to life, body, or health of a third person caused by a deliberate or negligent act committed by the party who sought to restrict or be exempted from such liability, or by other persons to whom said party also must be liable.³

Unlike most laws enacted regarding civil court jurisdiction in Thailand, the Unfair Contract Terms Act gives the courts great discretionary power in determining whether contract terms are generally unfair and unreasonable. However, the Act does provide general guidelines under which the court is to

1 Civil and Commercial Code, s 373.

2 The courts will have the power to reduce the confiscation level to that of the actual damages incurred.

3 These terms, notices, or statements will be considered ineffective, as will agreements or consents of the injured parties restricting or exempting the liability for wrongful acts arising from unlawful action contrary to public order or good morals.

consider whether certain terms are unfair or unreasonable. For example, the court is to consider:

- The time and place of making the contract or compliance therewith;
- Whether one party shoulders a much heavier burden than the other;
- The normal practice within the industry concerned; and
- The integrity, bargaining power, economic positions, and adeptness of the parties.¹

In this regard, the Act allows for the use of expert testimony during court hearings.²

Thai antitrust law also may play a part in the regulation of intellectual property licences. The law on trade competition in Thailand is principally enshrined in the Trade Competition Act 1999. This legislation, in section 25, sets out a number of activities which will be proscribed in respect of entities that are essentially dominant in the market. These proscribed activities correspond to the type of activities that are restricted in other jurisdictions as abusive dominance or unfair monopolisation. These activities outlawed in Thailand include:

- Unfairly fixing or maintaining the purchase price or sale price of goods and services;
- Unfairly imposing compulsory contractual conditions in either a direct or indirect manner in terms which require a customer to limit the provision of services, or limit the manufacture or the purchase and sale of goods, or terms that otherwise restrict the opportunity for a customer to buy or sell goods or acquire or provide services, or obtain credit from other business operators;
- Suspending, reducing, or limiting the provision of services or the manufacture, purchase, sale, delivery, or importation without reasonable grounds and the destruction or damaging of goods so as to reduce the quantity thereof to a level lower than market demand; and
- Intervening in the business operations of others without reasonable grounds.

Generally, to fall foul of these provisions, the licensing party would have to hold a dominant position in the relevant market. None of Thailand's intellectual

¹ Unfair Contract Terms Act, ss 5 and 10.

² Unfair Contract Terms Act, s 13.

property statutes dictate that an intellectual property right holder automatically holds a dominant position for the purpose of this legislation; however, in many cases, a licensor will hold such a market controlling position due to the lack of viable substitutes for the protected intellectual property.

Section 27 of the Trade Competition Act also is relevant to intellectual property licensing. The provisions of this section seek to prohibit collusive behaviour between undertakings which could be regarded as anti-competitive. Among the types of collusion prohibited are price fixing and market segregation agreements, cartels, and restrictions on field of use.

The Protection of Layout-Designs of Integrated Circuits Act (BE 2543) makes specific reference to competition legislation by requiring licensors to ensure that licence agreements do not contain terms which are anticompetitive. Moreover, Ministerial Regulation Number 25, issued under the Patent Act (BE 2522), dictates that prohibited terms in patent licences include ‘conditions, which are against the law relating to competition’.

Terms Open to Party Autonomy

Thailand is generally a ‘freedom of contract’ jurisdiction and, as such, the parties may essentially agree on any term in a licence agreement, provided there is no unfair limitation of competition or violation of public policy. In certain situations, a licensor must be reasonable in setting terms or the term may be held unenforceable as an unfair limitation on competition. For example, in the copyright context, a ‘tying arrangement’ may be prohibited.¹ In a ‘tying arrangement’, the licensor establishes a requirement that the licensee must purchase from the licensor (or his agent) materials for use in the production of a copyrighted work. This type of tying arrangement would be seen as anticompetitive and would be unenforceable.

In other contexts, if the licensor or rights holder refuses to grant a reasonable licence to a licensee, the Director General of the Department of Intellectual

¹ Ministerial Regulation (BE 2542), issued under the Copyright Act.

Property may intercede and grant a licence on such conditions, restrictions, and royalty terms as he deems appropriate.¹

Terms Presumed Absent Party Stipulation

Thailand is a civil law jurisdiction; therefore, the Common Law notion of ‘implied terms’ to give effect to the intention of the parties generally does not apply. However, in some limited circumstances in licensing scenarios, some terms may be implied. For example, according to the Civil and Commercial Code, if the object of a reciprocal contract is the transfer of a right in a specific tangible object and such object is damaged or lost by a cause which is not attributable to the licensee, the loss or damage will be held to fall on the licensor.²

Third-party beneficiary status also may be presumed under Thai law. If a party to the licence agreement agrees to tender performance to a third person, the latter has the right to claim such performance directly from the promisee.³ In the patent context, if the licensor unreasonably refuses to grant a licence and the Director General of the Department of Intellectual Property intercedes and grants a licence to the applicant under sections 46, 47, or 47 *bis* of the Patent Act, certain conditions and restrictions will be presumed, including the scope and term of the licence granted, the right to appoint other licensees, the non-transferability of the licence, and royalty level.⁴

Types of Licences

In General

Most terms and conditions included in licence agreements can be adopted by the contractual parties as long as they are deemed appropriate and are not contrary to the General Laws of Contract under the Civil and Commercial Code and meet with any requirements under the Trade Mark Act, Patent Act, Copyright Act, Trade Secrets Act, and Protection of Layout-Designs Act and the regulations issued under each of the aforesaid Acts.

1 Patent Act, ss 45–47 *bis*.

2 Civil and Commercial Code, s 370.

3 Civil and Commercial Code, s 374.

4 Patent Act, s 50.

Generally, an owner of intellectual property rights may grant either an exclusive or a non-exclusive licence or a sole licence to a licensee. The status of licence should be clearly provided in such a licence agreement.

Exclusive Licences

An exclusive licence arrangement is one where the licensee expects to have the sole right to use, manufacture, sell, or distribute technology, products, content, or other licensed assets in a particular territory. To determine whether the licensor has kept the right to grant another licence to other licensees, one must examine the terms and conditions in the licence agreement to see whether the licensor grants an exclusive or a non-exclusive licence to the licensee. For example, under a Ministerial Regulation issued under the Trade Mark Act, a term specifying whether the licence grant is exclusive or non-exclusive must be included within the terms and conditions in a trade mark licence agreement.¹

According to the Copyright Act, a licence grant can be made with or without imposing any terms and conditions.² Generally, the terms and conditions of a copyright licence agreement may not restrict fair competition as prescribed in the Ministerial Regulations.³ If the licence agreement does not include a provision prohibiting the copyright owner (licensor) from granting to additional persons the use of such rights, it will be presumed that the copyright owner (licensor) has the right to do so.⁴

In the patent context, a licence agreement for a registered patent is required to be made in writing and registered.⁵ Although the Patent Act does not provide whether a patent licence must include a term of exclusivity or non-exclusivity, in practice, such terms and conditions should be clearly specified.

Non-Exclusive Licences

In a non-exclusive trade mark licence agreement, the trade mark owner will have the right to use the trade mark or authorise any person in addition to the

¹ Ministerial Regulations (Number 1) BE 2535, clause 45 (under Trade Mark Act).

² Copyright Act, s 15(5).

³ Copyright Act, s 15(5).

⁴ Copyright Act, s 16.

⁵ Patent Act, s 41.

authorised licensee to use it.¹ This term must be specified in the trade mark licence agreement, or the agreement cannot be registered with the Department of Intellectual Property.²

For a patent licence, the law does not provide whether exclusive or non-exclusive licence provisions must be included in the patent licence. Therefore, the parties can agree on this term. Under the Copyright Act, a non-exclusive copyright licence avails the copyright owner of the right to grant to as many persons as he deems appropriate the use of such rights.

Sole Licences

A sole licence is an intermediate form of licence between an exclusive and a non-exclusive licence. When granting a sole licence, the licensor typically desires to grant the licensee rights which are akin to an exclusive licence, but the licensor also retains the right to use the intellectual property.

Hence, a sole licensee is not in the same position as an exclusive licensee but is in a generally better position than a non-exclusive licensee who is typically faced with the prospect of a multitude of licensees. Sole licences are often used in circumstances where the licensee's ability is unclear and where the licensor desires the right to exploit the intellectual property where the licensee has failed in its obligations.

Compulsory Licences

Compulsory licensing arises when a government regulation results or could result in a taking of property, even if 'ownership' remained with the purported property owner. In the area of international intellectual property, fair use exclusions and compulsory licences are the most frequent 'takings' which have been sanctioned to some extent by the international community.

In Thailand, discussions of compulsory licensing most often arise in the patent context. An applicant may apply to the Director General of the Department of Intellectual Property under patent law for a licence to be granted on such conditions, restrictions, and royalty terms as agreed on by the patent holder-licensor

¹ Trade Mark Act, s 77.

² Ministerial Regulations (Number 1), clause 45 (under Trade Mark Act).

and the applicant. If the applicant and the patentee cannot agree on terms within a specified period, the Director General will grant a licence to the applicant on terms he considers appropriate.¹

If a patentee fails to appropriately work the patent, an applicant may, within four years from the patent application date or three years from patent grant, apply to the Director General for a licence.² The criteria for licence grant are generally directed toward the failure of the patentee to exploit the invention, such as if there is no product or application of the patented process made or sold in Thailand without any valid reason or if the product is sold at an unreasonably high price or in insufficient quantities to meet public demand.³ To be granted a licence, the applicant must show a good-faith effort that he tried to agree on terms with the patentee first.⁴

Where the Director General has granted a licence to an applicant under sections 46, 47, or 47 *bis* of the Patent Act, if the patentee and applicant cannot agree on terms, there are certain required terms that the Director General must prescribe:

- The scope and time period of the licence may not be more than ‘necessary under the circumstances’;
- The patentee will have the right to appoint other licensees;
- The licensee may not transfer the licence to others unless the business or goodwill related to the licence also is transferred;
- The licensing scheme must have the primary aim of meeting domestic public demand; and
- The royalty must be adequate under the circumstances.⁵

When a licence is granted with the terms prescribed by the Director General, a licensing certificate is issued to the applicant.⁶ The Director General also is empowered under Thai law to grant a compulsory licence in the case of emergency

1 Patent Act, s 45.

2 Patent Act, s 46.

3 Patent Act, s 46.

4 Patent Act, ss 46, 47, and 47 *bis*.

5 Patent Act, s 50.

6 Patent Act, s 50.

emergency or state of war or to prevent or alleviate a severe shortage in food-stuffs, medicine, and the like.¹

The Thai Copyright Act also contemplates the possibility of the Government issuing compulsory licences for copyright where the forecasted use of the copyright is not for profit, generally research-related, and where an agreement between the copyright owner and the licence seeker could not be reached in a reasonable period of time.² A compulsory licence also may be issued where an owner's refusal to issue a licence is unreasonable.³

A compulsory licence also may be obtained under the protection of Layout-Designs of Integrated Circuits Act (BE 2543). In particular, such compulsory licences may be available where the owner of the layout-design right has exercised his rights in an anticompetitive manner, or where the necessity of national defence, security, public safety, health, or environmental dictate.⁴

Transferable and Non-Transferable Licences

It is generally a matter of negotiation between the parties to choose whether a licence will be transferable or non-transferable or assignable or non-assignable.

Single and Multiple Licences

It is generally a matter of negotiation between the parties to choose whether a licensor may grant more than one licence or whether the licensee may sub-license to other parties.

Master Licences

Master licence arrangements are possible, depending on the licensor's business model and the agreement of the parties.

¹ Patent Act, ss 51 and 52.

² Copyright Act, s 54.

³ Copyright Act, s 54.

⁴ Protection of Layout-Designs of Integrated Circuits Act, ch 5.

Procedural Requirements

All patent licensing agreements must be in writing and submitted to the Department of Intellectual Property at the Ministry of Commerce or with a Provincial Commercial Office or with another agency as prescribed by the Minister of Commerce.¹

Similarly, all licences of layout-design rights must be in writing and registered with the Department of Intellectual Property.²

A trade mark licence agreement must be made in writing and registered with the Trade Mark Office Registrar;³ otherwise, it will be void.⁴ The Registrar may issue an order accepting the licence agreement, imposing conditions or limitations as he deems suitable for the well-being of the public.⁵ The documents required to file an application for registration of a trade mark licence agreement are as follows:

- Powers of attorney from the licensor and licensee with notarial acknowledgment;⁶
- The original licence agreement executed by the authorised directors of the licensor and licensee with notarial acknowledgements or a certified copy of the licence agreement notarised by a notary public, along with a Thai translation; and
- A copy of the latest certificate of trade mark or service mark registration or renewal in the Thai language.⁷

A principal benefit from recording a trade mark licence agreement is that the use of the trade mark or service mark by the licensee will be deemed as use of the mark by the licensor, which can be raised as a defence in the event of a cancellation action for non-use. The licensor or the authorised licensee also can take action against trade mark counterfeiters.

¹ Patent Act, s 41.

² Protection of Layout-Designs of Integrated Circuits Act, s 24.

³ Trade Mark Act, s 68.

⁴ Supreme Court Judgment Number 2213/2545 (2002).

⁵ Trade Mark Act, s 69.

⁶ If the licensee is a Thai company, a specific power of attorney form is required. This Power of Attorney does not require notarisation. The powers of attorney must be signed by the same authorised directors of the licensor and licensee who executed the licence agreement.

⁷ Trade Mark Act, s 68.

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However, the right of the licensee to take action against infringers depends on the extent of the terms and conditions set forth in the licence agreement. Therefore, it is to both the licensor's and licensee's benefit to be very clear in the agreement concerning the licensee's ability or obligation to protect or enforce the mark. Section 78 of the Trade Mark Act states that:

. . . [i]n the absence of any provision in the trade mark licence agreement to the contrary, the authorised licensee will have the right to use the trade mark throughout the country

Section 78 may be interpreted as conferring the right to protect the mark. However, research has failed to disclose any case precisely on point. As in most jurisdictions, licences in Thailand will see the licensor retaining the right to enforce but, if it chooses not to do so, having a provision whereby the licensee is obliged to enforce or may choose to enforce or not, but having to keep the licensor abreast of all developments and without any rights to settle without the licensor's approval.

With respect to civil law, any action directed against intellectual property infringement by a third-party licensee, to be on the safe side, also should be joined by the licensor and/or intellectual property owner. In a case before the Intellectual Property and International Trade Court in 2003, a judge rejected the action brought by the plaintiff (the licensee) because the litigious patent has not been filed in Thailand and thus no actions were available.

The plaintiff licensee was deemed an injured person and thus was not entitled to take criminal action in case of possible patent infringement since the licence agreement only authorised him to use the patent rights (exclusive right to produce and sell). In other words, the agreement did not state that the licensee was authorised to take legal actions on behalf of the licensor and, thus, in this case the court found no standing to sue. This decision highlights that the licence agreement should clearly identify rights to enforce.¹

With respect to penal law, the limit of the licensee's rights is identified by the conditions set out between both parties in the licence agreement. If the licensor restricts the right to take any action, the licensee is bound by the restriction in

¹ Central Intellectual Property and International Trade Court, Number 58/2546 (2003), *Phuket Cement Sale Co., Ltd v Noppawong Construction Co, Ltd and Co.*

the agreement. In the absence of any restriction, our interpretation is the same. The licensee most likely has the right to file a complaint with the police and attach a copy of the recorded licence agreement as evidence of standing. Safe practice dictates that the licensor-owner should join in any complaint filed by the licensee in a criminal action.

In the event that either the licensor or the licensee breaches the licensing agreement, either party can of course initiate private settlement negotiations. If this fails, the parties may turn to the agreement proper, which may contain a dispute resolution or arbitration clause, and follow the procedures outlined therein. Alternatively, the complaining party may file a claim in the Intellectual Property and International Trade Court of First Instance. Appeals may be filed with the Supreme Court.

In the event that the licensing agreement is infringed by a non-contracting party, the complaining party may file a claim in the Intellectual Property and International Trade Court directly. Both criminal and civil action can be taken, as stipulated by the patent, copyright, and trade mark acts and ministerial regulations. The Director General of the Department of Intellectual Property, which is a branch of the Ministry of Commerce, is the Minister of Commerce's appointee for regulating all of the licensing agreements discussed below.

Licensing of Patent Rights

Nature and Definition

Thailand officially became a member of the Paris Convention for the Protection of Industrial Property on 2 August 2008, making it the 173rd state to be party to the Convention. Patent protection in general is territorial. The patent protection can only be enforced within the borders of the jurisdiction that granted the patent.¹ Pursuant to the GATT Uruguay Agreement on Trade Related Aspects of Intellectual Property Rights ('TRIPS'), a utility patent provides a monopoly that generally lasts 20 years from the date of the filing of the application.² To

¹ Patent Act, s 36.

² Patent Act, s 35.

qualify for utility patent protection, an invention must be novel, non-obvious,¹ and useful. Utility patents generally grant to the patentee the exclusive right to make, use, sell, offer to sell, or import the patented invention into the jurisdiction that granted the patent.² A party who violates the exclusive rights within the jurisdiction is said to infringe the patent.

In the case of design patents, protection generally runs for a shorter duration. For example, in Thailand, design patent protection runs for 10 years from the date of application (or the priority date) for the patent issues. However, each jurisdiction may have different criteria for what can qualify as a protectable design and the term of a design patent may differ in each jurisdiction.

Patent licence agreements are governed by the provisions of the Patent Act BE 2522 (AD 1979), as amended in 1992 and again in 1999, and Ministerial Regulation Number 25 (BE 2542) issued under the Patent Act, the Ministerial Regulations, and the general laws of contract under the Civil and Commercial Code.

Patents are granted only for inventions that are new, involve an inventive step, and are capable of industrial application (in any industry, including handicraft, agriculture, and commerce).³

All licensing agreements must be in writing and submitted to the Department of Intellectual Property at the Ministry of Commerce or with a Provincial Commercial Office or with another agency as prescribed by the Minister of Commerce. Under section 41 of the Patent Act (Number 3) BE 2542, a licence agreement of a patent must be in writing in compliance with the requirements, procedures, and conditions prescribed by the Ministerial Regulations, and it must be registered with the Patent Office.

Failure to comply with the prescribed form will cause the licence agreement to be void according to section 152 of the Civil and Commercial Code. Moreover, the Director-General of the Department of Intellectual Property is empowered to request the Board to cancel the licensed patent.⁴

¹ In Thailand, an ‘inventive step’ is the standard.

² Patent Act, s 36.

³ Patent Act, s 5.

⁴ Patent Act, s 55.

Any patentee may apply to the Director-General to classify the patent as open to licensing, so that any other person may obtain a licence to use the patent. Thereafter, any person who applies for such a licence may enter into agreement negotiations with the patentee; if the parties cannot reach an agreement within a reasonable time, the Director-General may grant a licence on such conditions, restrictions, and royalty terms as he deems appropriate.¹ Once the patent is re-classified as being open to licence agreements, the annual fees of the patent holder are reduced by at least half.

Patents are not granted for inventions already patented or petty patented within or outside the Kingdom prior to the date of application, nor are patents granted where an application has already been filed for over 18 months prior to the latest application for the patent.² Furthermore, patent rights will not be granted for microorganisms which naturally exist and their components, animals, plants, or extracts from animals or plants; scientific and mathematical rules and theories; computer programs; methods for diagnosing, treating, or curing human or animal diseases; or inventions which are contrary to public order or morality, public health, or welfare.

Territorial Scope

It is not permissible to restrict the licence to Thailand. According to clause 3(7) of Ministerial Regulation Number 25 (BE 2542), it may be considered unfair limiting of competition if a licensee is bound not to export the products for sale or for distribution abroad or is bound to obtain permission to export from the patentee/petty patentee before the intended export is made. However, the foregoing provision will not be applicable if the patentee has already held the patent in the country of intended export and the patentee's exclusive sales agent/distributor for the products has been appointed in that country before the patent licensing agreement is made with the licensee.

It should be noted that there is no provision under Thai law prohibiting the restriction of licence to portions of Thailand. Therefore, this term may be negotiated and contractually agreed on by the parties. Foreigners may apply for patents in Thailand if they are from a country which is a member of an international

¹ Patent Act, s 45.

² Patent Act, s 6.

convention or treaty for patent to which Thailand also belongs or if they have domicile or an actual and earnest, ongoing functioning industrial or commercial enterprise in Thailand or in a country which is a member of an international convention or treaty for patent protection of which Thailand also is a member.¹

Term

Patents are valid for 20 years, running from the date of filing the application in the Kingdom. However, any patentee may surrender his patent.² Alternatively, if within two years of the granting of the patent the Director-General can show that the patentee or his licensee or the licensee under the licence has neither manufactured the product nor applied the process under the patent in the Kingdom for no appropriate reason, or if the product under the patent or the product manufactured by the process thereunder is neither being sold nor imported for sale, or is being sold but at an unreasonable price, the Director-General may elect to cancel the patent.³

The parties are free to determine the duration of the licence, as well as the circumstances under which either party may terminate the contract, subject to the restrictions stipulated in the Unfair Contract Terms Act and in the sections of Ministerial Regulation Number 25 (BE 2542) concerning unfair practice and unfair restraints on competition, as enforced by the Director General under the Patent Act. A licensor may not require a licensee to pay a royalty for use of the patented invention after the patent term has expired.⁴

Rights of Licensor

Licensor's Rights with Respect to Contractual Obligations

The principles of Thai contractual law are based on the freedom of contract. Traditionally, therefore, the government will not intervene in mutually agreed-on expressions of private parties, unless the intentions of such parties were clearly prohibited by law or were contrary to public order or good

1 Patent Act, s 14.

2 Patent Act, s 53.

3 Patent Act, s 55.

4 Patent Act, s 39.

morals.¹ Presently, however, due to injustices caused by parties with greater bargaining power taking advantage of those less fortunate, the government considers it necessary to provide guidelines for the courts in evaluating whether any terms found within a contract are unfair and to give the courts the power to intervene in contractual arrangements between parties by voiding or limiting any unfair terms that courts find to exist in such arrangements.

The patentee may authorise any other person, by granting a licence, to exercise the rights conferred to him under the Patent Act, including, in the case of product patents, the right to produce, use, sell, possess for sale, offer for sale, or import into Thailand the patented products and, in the case of process patents, the right to use the process and produce, use, sell, possess for sale, offer for sale, or import into Thailand products made by the application of the patented process.² In granting a licence, the patentee may not impose on the licensee any condition or restriction or any royalty term which tends unfairly to limit competition or to foster unfair practice, as outlined in Ministerial Regulation Number 25 (BE 2542).

This Ministerial Regulation directly prescribed the inclusion of licence terms which infringe the laws on competition. Thailand laws on competition are principally set out in the Trade Competition Act (BE 2542) and, in particular, sections 25 and 27 of that Act. Thailand's competition laws are examined elsewhere in this chapter.

Both exclusive and non-exclusive licences are enforceable.³ An exclusive licence reserves the exercise of the patent rights to the licensee alone, to the exclusion even of the patent holder. There is no provision under Thai law prohibiting the licensor from preventing the licensee to manufacture, sell, or use the subject matter of the patent licence agreement in other countries in which there is no corresponding patent. This term may be contractually agreed on by both parties.

It is not permissible to prevent a licensee from challenging the validity of the licensed patent, or the secrecy of know-how, during the term of the agreement and thereafter. Under clause 4(2) of Ministerial Regulations Number 25

1 Civil and Commercial Code, ss 150 and 151.

2 Patent Act, s 36.

3 Patent Act, s 45.

(BE 2542), a restriction on the licensee's claims of invalidity as a defence is deemed unfairly limiting competition. The following conditions also may be deemed unfairly limiting competition according to clause 3 of Ministerial Regulation Number 25 (BE 2542):

- A licensee may not be required to procure raw materials wholly or in part from such supplier as designated by the patentee/petty patentee, unless it is proved that, in the absence of that condition, the finished products would not meet the requirements of the patent or that those raw materials are not procurable from other sources in Thailand;
- A licensee may not be required to sell or distribute more than half of the manufactured products to the patentee or their named nominee;
- A licensee may not be bound to limit the quantity of production, sales, or distribution concerning the products; and
- There may be no condition or limitation of the licensee's right to use any other invention or product design owned by a third party in addition to the licensed invention or product design.

Right to Bring Infringement Proceedings

The licensor maintains the right to sue for infringement of the patent, and he may sue for an injunction, and/or damages. The extent to which an exclusive licensee may instigate an action for infringement of patent rights is unclear as there is no specific entitlement mentioned in the legislation. Nevertheless, as the interests of an exclusive licensee are often similar or identical to the licensor, it is thought by many commentators that an exclusive licensee also may bring an action for infringement and may be deemed to have the same right as the proprietor to bring such proceedings against an infringer. It remains to be seen, however, how a Thai court will deal with this issue. Licensees who have obtained their rights through a compulsory licence agreement must generally request that the owner bring an action and only if the owner fails to do so can they bring an action for infringement in their own name, making the owner a defendant.

Both civil and criminal action may be taken against infringers of a Thai registered patent by the licensor, as owner of the patent. In patent infringement matters involving process patents, the burden of proof is reversed. In the case where a patentee or a petty patentee of a process patent sues an infringer of his

patent or petty patent in a civil case and can prove that the product produced by the defendant has the same or similar characteristics to the product made using the patentee's or the petty patentee's process, it will be presumed that the defendant has used the patentee's or the petty patentee's process, unless the defendant can prove otherwise.

Civil remedies include injunctive relief, forfeiture of infringing items, and compensatory damages. The right of a patent owner to receive compensation in a civil action for losses suffered as a result of infringement is generally based on the tort provisions of the Thai Civil and Commercial Code.¹

Criminal action is initiated with the filing of a criminal complaint with the police, followed by a police raid (based on a lawful search warrant), arrest of the infringer, and seizure of the infringing goods.² Generally, there is not a great deal of patent infringement litigation in Thailand, presumably because of the lack of a formal discovery mechanism and the expense necessary to prepare and prove a case. In fact, the average number of patent cases which have proceeded before the court in recent years has typically not increased in cases per year.

Obligations of Licensor

Working the Patent and Compulsory Licensing

The patentee must generally exploit or 'work' the patented invention in Thailand so that the Thai population receives the benefit of the patent during its term. At any time either after the expiration of three years after the granting of the licence, or four years from the date of application, whichever is later, any person may apply to the Director-General for a licence if it appears that the patentee has not produced the patented product or applied the patented process in the country for no appropriate reason, or if no such product or use has been made available for sale in any domestic market, or if it is sold at an unreasonably high price, or does not meet public demand for no appropriate reason.³ If the applicant can show that the patent holder has failed to exploit his lawful rights, and the applicant has attempted and failed to enter into an agreement with the

¹ Civil and Commercial Code, ss 420 and 421.

² Patent Act, ss 81–88.

³ Patent Act, s 46.

licensor within a reasonable period, then the Director-General may issue a compulsory licence.¹

Compulsory licences also may be issued where there is overlap between the rights reserved to two holders of different patents, and where one who applies for a licence under the patent of the other person can show that the invention of the licence applicant is of greater technological and social importance than is that of the patent holder.² This scenario typically arises in a 'reliant patent' circumstance where a new invention builds on technology which is the subject of a pre-existing patent. In such cases, the exploration of the later subsequent patent could require a license of the pre-existing patented technology. Similarly, compulsory licences can be issued in situations of national emergency or where questions of vital importance to the defence of the country are involved, or where the preservation or acquisition of natural resources is at stake, or to prevent or alleviate a severe shortage of food or medicines or where other essential interests are implicated.³

In late 2006 and early 2007, Thailand's Ministry of Public Health, acting on behalf of a post-coup military-appointed administration, decided to issue the first set of compulsory licences on three patented drugs. The three drugs were Merck's antiretroviral efavirenz (Stocrin®), Abbott Laboratories' antiretroviral lopinavir/ritonavir (Kaletra®), and sanofi-aventis' heart disease drug clopidogrel (Plavix®). The legitimacy of the compulsory licences was questioned by the drug originators who own the patents, international legal experts, and experts in the pharmaceutical field and other stakeholders.

Due to uncertainty regarding the procedural mechanisms relating to compulsory licensing rules, a new format was adopted by the Director-General of the Department of Intellectual Property in order for a patent owner to appeal the terms, conditions, and royalties of compulsory licenses imposed according to section 51 of the Patent Act.

In February 2008, the Minister of Public Health signed a further announcement of compulsory licences on three cancer drugs. The new set of compulsory licences included the breast cancer drug letrozole produced by Novartis, the breast

1 Patent Act, s 46.

2 Patent Act, s 47.

3 Patent Act, s 51.

and lung cancer drug docetaxel made by Sanofi-Aventis, and the lung cancer drug erlotinib produced by Roche.

Limitations of Licence Terms

In certain situations, a licensor must be reasonable in setting terms or the term may be held unenforceable as an unfair limitation on competition.¹ For example, a ‘tying arrangement’ may be prohibited. In a ‘tying arrangement’, the licensor establishes a requirement that the licensee must purchase from the licensor (or his agent) non-patented materials or components for use in the manufacture of a patented invention. This type of tying arrangement would be seen as anti-competitive and would be unenforceable. The restrictions outlined in Ministerial Regulation Number 25 (BE 2542) include the prohibition of terms that would oblige the licensee to obtain the materials for use in all or part of the production from the patentee, or terms that prescribe conditions or restrictions with respect to the licensee’s hiring practices, except where it can be proven that such prescriptions must be included in the agreement for the product to give the desired effect, as described under the patent.

Terms that limit the quantity, sale, or distribution of the resulting products also are prohibited. Terms limiting the right of the licensee to export the product also are considered unfair, as are terms that prescribe limits on the right of the licensee to conduct research and development activities with the patent.²

According to clause 3(1) of Ministerial Regulation Number 25 (BE 2542), any condition imposing on the licensee to use materials, wholly or partly, from the licensor or from any supplier approved by the licensor, with or without compensation, may be deemed unfairly limiting competition. If the licensor can prove that the restriction is required for the effective working of the patent or the materials cannot be obtained from other sources in Thailand, and the calculated value is not higher than the price of material of comparable quality obtainable from other sources, such restriction would not be considered unfairly limiting competition.

¹ Trade Competition Act, s 25.

² Patent Act, s 39.

The decision whether any condition, limitation, or royalty clause in a licence agreement is likely to cause unfair limitation of competition will be determined on a case-by-case basis. It may be considered unfair limitation of competition if the licensor seeks to regulate the pricing of the products for sale or for distribution according to clause 3(10) of Ministerial Regulations Number 25 (BE 2542).

Requirement to Be Reasonable

A patentee always faces the danger of seeing the rights to the patented invention awarded to an applicant for a compulsory licence on terms set by the Director General in his discretion if the Director General believes that the patentee has not been reasonable in granting terms and conditions to the applicant directly.¹

Licensor Right to Termination

The licensor may terminate the licence agreement if the licensee uses the patent in any way other than that decided on in the agreement.

Furthermore, the Director-General may cancel the licence if he finds that the licensee has not put the patent to use as required under the Act for no appropriate reason or if he finds that the terms of the licence agreement foster unfair practice or that the terms unfairly restrict competition.

Rights of Licensee

The rights of a licensee are generally determined as a result of negotiation between the parties. The licence agreement, if registered with the Department of Intellectual Property, confers the licensee substantive rights over third parties.

Generally, the licensee in an exclusive licence has superior rights to the invention provided that he has registered the licence agreement. The licensee also has the right to acquire non-patented components, materials, or products from sources other than the licensor.

¹ Patent Act, s 46.

Obligations of Licensee

The Director-General may cancel the licence if he finds that the licensee has not put the patent to use as required under the Act for no appropriate reason or if he finds that the terms of the licence agreement foster unfair practice or that the terms unfairly restrict competition.

Typically, the licensor will require the licensee to provide necessary information about sales figures in order for the licensor to verify calculation of royalties and provide for a financial penalty in the case of any underreporting. In addition, the licensor will typically require the licensee to grant back or assign the rights to any improvements developed as a result of the licensees' access to the patented invention.

Under clause 3(8) of Ministerial Regulation Number 25 (BE 2542), a restriction on the licensee's right to conduct study, research, experiment, testing, or development of invention/product design may be considered unfairly limiting competition, depending on the factual circumstances.

The parties may contractually agree that the licensor may restrict the licensee from manufacture, use, or sale of a competing product during the term of the licence agreement.¹ However, it should be noted that, according to section 25 of the Trade Competition Act 1999 (BE 2542), a business operator with authority over the market is prohibited to prescribe conditions in the manner which is enforceable, whether directly or indirectly, against another business operator, who is its own customer, or to limit the service, production, purchase, or distribution of merchandise or restrict the opportunity to select to purchase or sell the merchandise, receiving, or giving service, or in procuring credit from another operator.

A licensor may compel a licensee to restrain its employees from competing with the licensor.² However, according to section 5, paragraph 1, of the Unfair Contract Term Act, terms restricting the right or freedom in practicing an occupation or an execution of a juristic act related to the trading or professional business operation which are not void, but being terms that cause the person whose right or freedom has been restricted to shoulder excessive burden than a

¹ Patent Act, ss 11–13.

² Patent Act, ss 11–13.

reasonable person could have anticipated under normal circumstances, will be enforceable in so far as they are fair and reasonable in such circumstances only.

Royalties

Agreement between the Parties

Thailand is generally a 'freedom of contract' jurisdiction and as such the parties may essentially agree on any term in a licence agreement, provided there is no unfair limitation of competition or violation of public policy. As such, the parties may agree on whether the royalty will be a percentage of net sales, a percentage of gross sales, a lump sum periodic royalty, or a minimum guaranteed up-front royalty payment. There is no minimum or maximum royalty rate.

In granting a patent licence to a licensee, the patentee-licensor may not impose on the licensee any condition or restriction or any royalty term that tends to unfairly limit competition.¹ Nor will the patentee-licensor require the licensee to pay royalties for use of the patented invention after the patent term has expired.² Otherwise, it will be void under section 39 of the Patent Act.

Conditions, restrictions, or compensation provisions which would have the effect of unfairly limiting competition are prescribed in Ministerial Regulation Number 25 (BE 2542), issued on 24 September 1999, and the competition-related laws. The decision whether any condition, limitation, or royalty clause in a licence agreement is likely to cause unfair limitation of competition will be determined on a case-by-case basis.

The parties are bound only by the terms of their agreement although, if the terms are unfair or substantially disadvantageous to the licensee party, a compulsory licence may be issued by the Director-General, along with the term of the licence and the associated royalties determined by the Director-General.³ If the Director-General grants a compulsory licence to an applicant, the only requirement is that the royalty imposed must be 'adequate under the circumstances'.⁴

1 Patent Act, s 49.

2 Patent Act, s 49.

3 Patent Act, s 47 *bis*.

4 Patent Act, s 47 *bis*.

In the event the patent is invalidated, the licensee may seek recovery of royalties paid out to the licensor. According to section 391 of the Civil and Commercial Code, after the patent is invalidated and a party has exercised his right of rescission, each party is bound to restore the other to his former condition. Thus, the licensee is entitled to a refund of the royalty from the licensor.

Taxation Issues

The withholding tax imposed on royalties is 15 per cent.¹ The licensee, as the payer of royalties, has the duty to withhold 15 per cent income tax and remit the tax to the Revenue Department no later than the seventh day of the month following the month of payment.² The 15 per cent withholding tax may be reduced to 10 per cent under some double-taxation treaties that Thailand has with various countries. The 15 per cent withholding tax paid to the Thai Revenue Department may be used as a credit against the licensor's income tax payable on such royalties in the resident country (credit method). Under some double-taxation treaties, the exemption method is applied instead of the credit method. Under the exemption method, royalties subjected to tax in Thailand are exempt from income tax in the resident country.

There is no requirement to inform the Revenue Department of the payment of royalties. The licensee will file a withholding tax return and remit the tax to the Revenue Department no later than the seventh day of the month following the month of payment. However, the withholding tax certificate issued by the Thai Revenue Department may be required as evidence for a tax credit in the resident country. In this regard, the licensor generally appoints the licensee as its appointee on an application for a withholding certificate. Documents required for submission to the Thai Revenue Department for the application include a patent licence agreement, a copy of the withholding tax return, the receipts issued by the Revenue Department, and a power of attorney.

There is value-added tax imposed on payment of royalties to foreign licensors.³ The licensee, as a payer of royalties, is required to self-assess and remit seven per cent

¹ Revenue Code, Income Tax Schedule, ch III.

² Revenue Code, s 70.

³ Revenue Code, s 80.

cent value-added tax to the Thai Revenue Department no later than the fifteenth day of the month following the month of payment.¹ The value-added tax paid to the Thai Revenue Department can subsequently be used by the licensee as a credit against its value-added tax payable or claimed as a refund. Therefore, the tax cost for the licensee is only the time value of money.

In some licensing arrangements, the licensor from a foreign country will commit to sending or ‘dispatching’ an employee to the licensee in Thailand for purposes of training or teaching the practice of the patented invention. This may create a tax liability for the licensor in certain circumstances.

Under Thai tax law, a foreign corporation may be deemed as carrying on business in Thailand if it has in Thailand an employee, a representative, or a go-between whose activities generate income or gains in Thailand for the corporation.² One needs to be wary in this circumstance as the Thai revenue Department may claim that the employee so dispatched is generating revenue for the foreign licensor in the form of the royalty stream. Such corporation might then be subject to Thai income tax (30 per cent corporate income tax on net profits).³ The relevant regulation under the Thai Revenue Code is:

Section 76 *bis*. If a juristic company or partnership organised under a foreign law has in Thailand for carrying on its business an employee, a representative or a go-between and thereby derives income or gains in Thailand, such juristic company or partnership will be deemed carrying on business in Thailand, and such employee, representative, or go-between, whether a natural or a juristic person, will, in so far as the said income or gains are concerned, be deemed to be the agent of the said juristic company or partnership and will have the duty and liability to file a return and pay tax under the provisions of this Division.

Extension and Amendment

Any extension of the term of the agreement may be freely negotiated by the parties. Similarly, any amendment to the terms of the agreement is open to negotiation.

1 Revenue Code, s 83.

2 Revenue Code, ss 81 and 82/2.

3 Revenue Code, s 76.

Linkage with Other Intellectual Property Rights

The parties may choose freely to refer to other intellectual property rights such as trade secrets, trade marks, copyright, and confidential information.

Public Policy

The Patent Act is seen as generally TRIPs compliant. The compulsory licensing provisions reflect a public policy to ensure that the Thai population receives the benefit of patented technology by requiring patentees to work patents.

In addition, the compulsory licensing provision triggered by emergency or shortage of necessities reflects a public policy to ensure that patents do not obstruct a developing nation's ability to deliver life's necessities to its population.

Licensing of Copyright

Nature and Definition

Nature of Copyright

Copyright is regulated by the Copyright Act, BE 2537 (AD 1994), and Ministerial Regulations, BE 2540 (1997), and Notification of Ministry of Commerce *Re: List of Member Countries to Convention Governing Protection of Copyright or Convention Governing Protection of Performers' Rights*.

In Thailand, copyright subsists in every original work of literature, drama, art, music, audiovisual materials, sound recordings, cinematographic materials, sound and video broadcasting, computer programs, disseminated sound or pictures, or other works in the fields of literature, science, and the arts. 'Literary works' has been defined to include specifically computer programs by the Act itself. Copyright subsists in every original work if the:

- Author was, at the time of creating the work (in the case of an unpublished work) or, when the work was first published (in the case of a published work), a Thai citizen or person resident, at all times or most of the time, in Thailand, or a national or resident of a member country of the Berne Convention or TRIPs; or
- Work was first published within Thailand or a member country of the Berne Convention or TRIPs, or was first published in a non-member country of the

Licensing of Copyright

Berne Convention or TRIPs and subsequently published in Thailand or in a member country of the Berne Convention or TRIPs within 30 days of first publication.¹

Copyright protection does not extend to ideas, steps, processes, or systems, methods of use or operation, concepts, principles, discoveries, or scientific or mathematical theories.² An author of a work is the owner of the copyright subsisting in the work. The copyright owner possesses the exclusive right to take any action concerning that work in which the copyright subsists, including reproduction, adaptation, or dissemination of the work, to the public.³

Copyright subsists automatically without any registration. However, copyrighted work and information concerning creation and publication of such work can and should be recorded with the Department of Intellectual Property, Ministry of Commerce. When a work is created while acting in the capacity of officer or employee under hire of service, the officer or employee is entitled to copyright unless it is otherwise agreed in writing, but the employer is entitled to cause publication of that work in accordance with the purpose of the hire of service.⁴

When a work is created by a contractor for commission, the employer is entitled to copyright unless it is otherwise agreed by the parties.⁵

Performers' Rights

Performers have exclusive rights to:

- Sound and video broadcasting or dissemination to the public of performances, except when a performance used in broadcasting or dissemination to the public was recorded;
- Recording of their unrecorded performance; and
- Reproduction of a performance recorded without their permission or of that made for purposes other than those for which performers gave permission or of that which falls under exceptions to infringement of performers' rights.⁶

1 Copyright Act, ss 4 and 8.

2 Copyright Act, s 6.

3 Copyright Act, s 15.

4 Copyright Act, s 9.

5 Copyright Act, s 10.

6 Copyright Act, s 44.

A performer will have the right to receive compensation provided that the performer is a resident or citizen of Thailand or a substantial portion of the performance occurred in Thailand or in a member country of an international convention on protection of performers' rights of which Thailand also is member.¹ Performers' rights are protected for a term of 50 years from the last day of the calendar year of performance or recording of performance.² An assignment of performers' rights must be in writing, can be made either wholly or in part and, other than inheritance, if there is no period of time specified in the assignment contract, it will be deemed that an assignment is for a period of three years.³

Licensing of Copyright

Copyright is transferable.⁴ A copyright owner may grant to another person a licence for reproduction, adaptation, dissemination to the public of its copyrighted work, or renting of an original or copy of a computer program, audiovisual work, cinematographic work, and sound recording with or without conditions.⁵ Conditions will not restrict fair competition as provided in Ministerial Regulation BE 2540 (1997) issued under the Copyright Act.

Copyright licence agreements are governed by the provisions of the Copyright Act, the Ministerial Regulations, and the general laws of contract under the Civil and Commercial Code. Copyright subsists automatically on creation of an original qualifying work, and there are no registration or recordal requirements. In the case where the copyright owner wishes to assign the whole or part of his copyright for a limited period of time or for the entire term of the copyright protection, which can range from 25 to 50 years after the death of the author, depending on the type of copyright in question, the assignment of the copyright must be made in writing and signed by the assignor and the assignee.⁶ While an assignment is a transfer of ownership, a licence does not give the licensee a proprietary right in the work but only permission to do the acts without subjecting himself to infringement liability.

1 Copyright Act, s 48.

2 Copyright Act, s 49.

3 Copyright Act, s 51.

4 Copyright Act, s 17.

5 Copyright Act, s 15(5).

6 Copyright Act, ss 16 and 17.

Territorial Scope

The territorial scope of the licence is limited to the territory of Thailand and potentially to any other country that is a member of an international convention on the protection of copyrights.¹ The parties are free to further limit the territorial scope through their agreement.

Term

The parties are free to set the term of the licence, although the maximum period for a licensing agreement is the date of the expiration of the copyright, generally 50 years after the death of the author, or 50 years after the first publication if the work was not published during the author's lifetime.

A copyright may be assigned from one to another in whole or in part for a limited time or for the entire term of the copyright. An assignment of copyright must be in writing signed by the assignor and assignee. If no period of time is specified in the contract, the term is presumed to be for 10 years.²

Rights of Licensor

Licensor's Rights with Respect to Contractual Obligations

The licensor may terminate the licence agreement if the licensee uses the copyright in any way other than that decided on in the agreement. The creator/author of a copyrighted work may prohibit the licensee from distorting, abridging, adapting, or doing anything to the work so as to cause damage to the creator's reputation or prestige (so-called moral rights).³ Furthermore, the Director-General may terminate an agreement if he finds that the terms included therein are conditions unfairly restricting competition, pursuant to the Ministerial Regulation issued in 1997.

Unfair restriction of competition includes requiring the licensee to procure material for use in the reproduction of the licensed work, whether in whole or in part, from the copyright owner unless such a requirement is necessary for the

1 Copyright Act, s 8.

2 Copyright Act, s 17.

3 Copyright Act, s 18.

reproduced copies to meet the standard set by the rights owner, or unless such material cannot be obtained from any other source in the country and the remuneration does not exceed the price of other materials of similar quality produced by others.

In the case where the copyright owner has authorised a licensee to use the rights afforded under the Thai Copyright Act, such authorisation will not deprive the copyright owner of the right to grant to additional persons the right to the use of such rights unless the copyright owner specifically waives this right of non-exclusivity in the licence agreement.¹

Licensor's Right to Sue Infringers

The Copyright Act provides criminal penalties, including fines and imprisonment, for infringement of copyrighted works. The Department of Intellectual Property, under the leadership of the Director-General, is the government agency (operating under the Ministry of Commerce) charged with developing policy and enforcement efforts directed toward the piracy problem. As outlined below, the Copyright Act provides for confiscation of infringing goods and permits the copyright owner to seek to permanently enjoin an offender from repeating the offence.

Notably, the Copyright Act also provides that 50 per cent of the fines levied by the court against the offender in criminal cases at the time of judgment will be payable to the copyright owner. In addition, at the time of writing, the Copyright Act provides that the copyright owner may withdraw the complaint filed against an infringer and settle the case privately. The settlement in this regard may take place at any time during the criminal proceedings but before judgment is rendered. This provision in Thai law sometimes leads to local licensees of copyright who are given the right to enforce settling copyright infringement cases for penalty fees which may not necessarily be reported to the copyright owner/licensor.

¹ Copyright Act, s 16.

Licensing of Copyright

Criminal action against infringers of copyrighted works that are protected in Thailand may be taken under the penalty provisions of the Copyright Act.¹ The most important enforcement/penalty provisions for copyright owners are sections 69, 70, 75, and 76.

Section 69 states that:

. . . [a]ny person infringing the copyright or the performer's rights under section 27, section 28, section 29, section 30, or section 52 will be liable to a fine of 20,000 Baht to 200,000 Baht.

Section 70 states that:

. . . [a]ny person infringing a copyright under section 31 will be liable to a fine of 10,000 Baht to 100,000 Baht. If the violation under paragraph 1 is committed for commercial purposes, the offender will be liable to imprisonment of three months to two years or a fine of 50,000 Baht to 400,000 Baht, or both.

Section 75 states that:

. . . [a]ll articles made in or imported into Thailand which constitute an infringement of copyright or performers' rights pursuant to this Act, and are owned by the offender under section 69 or section 70, will become the property of the owner of the copyright or performer's rights, whereas all articles used for committing a violation will be forfeited.

Section 76 states that:

. . . [o]ne-half of the fine paid pursuant to a judgment of a court will be payable to the owner of the copyright or the owner of performer's rights, but the payment will not be prejudicial to the right of the owner of the copyright or the owner of performer's rights to sue for damages which are in excess of the amount of fine received by the owner of the copyright or the owner of performer's rights.

¹ Copyright Act, ss 69–77.

Absent specific provisions in the Copyright Act, it is widely believed by various commentators that an exclusive licensee has the same rights as the owner with respect to bringing infringement proceedings. Nevertheless, until such time as a Thai court faces this issue, it is still unclear whether an exclusive licensee can bring such an action. Where the owner and the licensee have concurrent rights, an action for infringement cannot be brought by either party without joining the other party as a plaintiff or a defendant in the action. The Copyright Act also provides civil remedies for infringement. In such cases, it is presumed that the work to which the action relates is a copyrighted work and that the plaintiff is the owner of the work, but the presumption is rebuttable by the defendant.

There is a prescription period of three years from the date the owner of the copyright becomes aware of the infringement and the identity of the infringer and not later than 10 years from the date of infringement.¹ The plaintiff in a civil copyright infringement action may seek damages for compensation along with costs, expenses, and attorney's fees attributable to the lawsuit. Injunctive relief also is available in clear-cut cases.

Obligations of the Licensor

Restraint of Trade

The licensor has a duty not to unfairly limit competition according to articles 1 and 2 of the Ministerial Regulation (BE 2542) issued under the Copyright Act, namely:

- A licensee may not be required to procure materials wholly or in part from such supplier as designated by the copyright owner;
- A licensee may not be required to sell or distribute more than half of the copied products to the patentee or their named nominee;
- A licensee may not be bound to limit the quantity of production, sales, or distribution concerning the copied products; and
- There may be no condition or limitation of the licensee's right to use any other copyrighted work owned by a third party.

¹ Copyright Act, s 63.

Licensing of Copyright

Both exclusive and non-exclusive licence agreements are enforceable and, unless the agreement stipulates otherwise, it will be assumed that the licence is non-exclusive.¹ The licence may grant all or part of the owner's copyright, including:

- Rights of reproduction or adaptation;
- Dissemination;
- Renting the original or a copy of a computer program, audio visual work, cinematographic work, and sound recording;
- Granting the benefits accruing from the copyright to other persons; and
- Granting licences to other persons to use the rights above, with or without imposing any conditions.²

Reasonable Terms

The Copyright Act contemplates the possibility of the government issuing compulsory licences where the forecasted use of the copyright is not for profit, generally research-related, and where an agreement between the copyright owner and the licence seeker could not be reached in a reasonable period of time. A compulsory licence also may be issued where an owner's refusal to issue a licence is unreasonable.³

Any Thai national seeking permission to use a copyrighted work which has been disseminated to the public in tangible form for use in study, teaching, or research on a non-profit basis may apply to the Director General for a licence, provided that the applicant can show that he first sought permission from the copyright owner. If the application is granted, the person who receives the licence may not assign his rights under the licence.

Rights of Licensee

The rights of a licensee are generally determined as a result of negotiation between the parties. The licence agreement, if registered with the Department of Intellectual Property, confers the licensee substantive rights over third parties.

¹ Copyright Act, s 16.

² Copyright Act, s 15.

³ Copyright Act, s 54.

Generally, the licensee in an exclusive licence has superior rights to the copyrighted work provided that he has registered the licence agreement, which rights include the right to sue infringers. The licensee also has the right to acquire components, materials, or products from sources other than the licensor as well as the right to not be the subject of any restraint of trade.

The ability of a licensee to instigate litigation against an infringer is not set out in the Copyright Act. Due to the similarity of interests of an exclusive licensee and the licensor, many commentators have argued that an exclusive licensee would possess the autonomy to instigate a legal action for infringement without the need to join the licensor to the action. In the absence of any court decisions dealing with the right of exclusive licensees to instigate action, this area of law remains uncertain.

Obligations of Licensee

The licensee is generally subject to the same restrictions on bringing an action for infringement and assessment of damages as the licensor, as described above. The payment of royalties pursuant to the licence may be an element of damages recoverable by the licensee in an infringement proceeding.

Royalties

There are no provisions in the Copyright Act stipulating regulations regarding the payment of royalties under a licence agreement. The parties are bound only by the terms of their agreement although, if the terms are unfair or substantially disadvantageous to the licensee party, a compulsory licence may be issued by the Director-General.¹

Taxation Issues

The withholding tax imposed on royalties is 15 per cent.² The licensee, as the payer of royalties, has the duty to withhold 15 per cent income tax and remit

¹ Copyright Act, s 55.

² Revenue Code, Income Tax Schedule, ch III.

tax to the Revenue Department no later than the seventh day of the month following the month of payment.¹ The 15 per cent withholding tax may be reduced to 10 per cent under some double-taxation treaties that Thailand has with various countries. The 15 per cent withholding tax paid to the Thai Revenue Department may be used as a credit against the licensor's income tax payable on such royalties in the resident country (credit method). Under some double-taxation treaties, the exemption method is applied instead of the credit method. Under the exemption method, royalties subjected to tax in Thailand are exempt from income tax in the resident country.

There is no requirement to inform the Revenue Department of the payment of royalties. The licensee will file a withholding tax return and remit the tax to the Revenue Department no later than the seventh day of the month following the month of payment. However, the withholding tax certificate issued by the Thai Revenue Department may be required as evidence for a tax credit in the resident country. In this regard, the licensor generally appoints the licensee as its appointee on an application for a withholding certificate. Documents required for submission to the Thai Revenue Department for the application include a patent licence agreement, a copy of the withholding tax return, the receipts issued by the Revenue Department, and a power of attorney.

There is value-added tax imposed on payment of royalties to foreign licensors.² The licensee, as a payer of royalties, is required to self-assess and remit seven per cent value-added tax to the Thai Revenue Department no later than the sixteenth day of the month following the month of payment.³ The value-added tax paid to the Thai Revenue Department can subsequently be used by the licensee as a credit against its value-added tax payable, or claimed as a refund. Therefore, the tax cost for the licensee is only the time value of money.

Extension and Amendment

The extension and amendment of a copyright licence may be freely negotiated by the parties.

1 Revenue Code, s 70.

2 Revenue Code, s 80.

3 Revenue Code, s 83.

Linkage with Other Intellectual Property

There is some overlap in Thai law between protection for design under the Patent Act and protection for works of authorship under the Copyright Act. The criteria for eligibility for a design patent are that the design be new and that it be capable of industrial use.

A design that qualifies for design patent protection would also qualify for copyright protection. The only requirement for copyright is that the design be original; there is no requirement that the design be novel.

Public Policy

Even a casual observer surveying the Thai market can easily find areas flooded with large amounts of pirated DVDs, CDs, and VCDs sold for between Baht 100 and Baht 200 in Bangkok, including Sukhumvit, Silom, Pratunam, Ramkhamhaeng, Banglumpoo, and Patpong (all tourist areas of Bangkok). Of course, there are notorious Bangkok shopping centres with shops openly selling all manner of pirated goods, such as the Pantip Plaza, Future Park Rangsit Department Store, Seri Center Department Store, and Seacon Square Department Store.

Primarily because of the pressure on Thailand's export-oriented economy due to its inclusion on the USTR Special 301 Watch List, there is presently no intellectual property-related issue that receives more media or government attention in Thailand than the issue of piracy of copyrighted works. Primary attention is devoted to the illegal reproduction and distribution of software, film, and music content. Literally every week, there is a press release or media report about actions taken by local and international industry groups to combat the piracy epidemic in Thailand. Among the most active groups engaged in the anti-piracy campaigns are the Business Software Alliance (BSA), the International Federation of the Phonographic Industry (IFPI), and the Motion Picture Association of America (MPA). Domestic industry groups active in the enforcement of copyright include the Association of Thai Software Industry (ATSI), Grammy Entertainment, and the Thai Recording Industry Association (TRIA).

Thailand is home to at least 100 known plants for optical media production (and many more underground facilities) with more than 200 known manufacturing lines and mastering machines. With this capacity, Thailand can generate more than 1 billion discs every year. Clearly, because the Thai domestic market

has a legitimate need for only 15 to 20 million genuine copies in VCD, DVD, and CD-ROM format, the Thai domestic market is flooded with cheap pirated discs. Thailand also rivals China, Taiwan, and Hong Kong as a leading export source of pirated content.

According to the most reliable statistics available, the piracy rate for entertainment software in Thailand stood at 98 per cent at the end of 2001, while business software applications registered a 76 per cent rate, motion pictures 60 per cent, and music 45 per cent. Licensors and licensees of copyrighted content must be aware of the piracy issues in Thailand and take this factor into account in setting terms in order that the licence agreement will be workable in this jurisdiction.

Licensing of Trade Mark

Nature and Definition

Nature of Trade Mark Rights

Trade marks were first regulated under the Trade Mark Act, BE 2474 (AD 1931), which was replaced by the Trade Mark Act, BE 2534 (AD 1991), and amended in 2000 by the Trade Mark Act (Number 2) BE 2543. The Act provides legal protection through registration of trade marks, service marks, certification marks, collective marks, and trade mark/service marks, and licence/registered user agreements.

The most recent amendments in 2000 allow protection for a combination of colours or group of colours represented in a special or particular manner, as well as three-dimensional marks, provided that such marks are deemed distinctive by the Examiner.

A company name that refers to juristic status, such as 'Co', 'Ltd', or 'Limited', is registrable in Thailand, and there is no condition that it must be presented in stylised form. However, if a company's full name refers to its juristic status, the name must be presented in stylised form to be registrable as a trade mark. In either case, the company's name may not be descriptive of goods or characteristic of the goods for which the trade mark is registered. A trade mark which is a geographical indication will generally not be eligible for registration.

Any interested person or juristic person who is a proprietor of a mark can file an application for registration with the Department of Intellectual Property.

Marks will traditionally include photographs, drawings, pictures, invented pictures, brands, names, words, text, letters, numerals, signatures, groups of colours, shapes or three-dimensional objects, or any combination of these items. A registrable mark:

- Must be distinctive and contain or consist of at least one of the following particulars: (a) the name of an ordinary person, or the first name and surname of an individual which are not common or generic, or the full name of a juristic person under related laws, or a trade name represented in special or particular manner and having no direct reference to the character or quality of goods, (b) a word or clause that has no direct reference to the character or quality of goods and is not a geographical name according to the prescription of the responsible Minister, (c) a group of colours represented in special or particular manner, or an invented letter or numeral or word, (d) the signature of an applicant for registration or that of some predecessor in his business or that of another with his permission, (e) a photograph of the applicant or that of another with his permission or with the consent of his ascendants, descendants, and/or spouse, in the case of a deceased person, (f) an invented picture, drawing, or illustration, or (g) any other distinctive mark;
- May not be forbidden under the Act; and
- May not be identical or so similar to another trade mark belonging to another person as to be confusing or misleading to the public.¹

Marks that arguably do not fall within descriptions in section 1(a)–(g), above, may become registrable through prior long and extensive use and acquired distinctiveness.² Certain items are prohibited for use as trade marks, such as royal names and royal monograms, official and national flags, and a mark that is identical or very similar to a ‘well-known trade mark’.³

¹ Trade Mark Act, ss 6–8.

² Trade Mark Act, s 7.

³ According to the Notification of the Ministry of Commerce Number BE 2543 (AD 2000), a ‘well-known mark’ is a mark associated with a good that has great sales volume, has been used or advertised widely to such an extent that it is very well known in Thailand to the general public or to people in the field concerned, and has a reputation that is highly accepted among consumers.

An application for registration of a trade mark must be made for particular kinds of goods which must be clearly declared.¹ The International Classification of Goods and Services has been adopted to replace Thailand's national classification of goods. A full class heading of the International Classification of Goods and Services cannot be used in an application and the particular goods to which the registration will apply must be specified, ie, an application for 'whole class' cannot be filed. A separate trade mark application must be filed for each class of goods.

A trade mark will be registrable only if the proprietor or his representative has an office or place of business in Thailand which the Registrar can contact.² After an application is deemed acceptable by the Registrar, the application will be published in the *Trade Mark Gazette* for 90 days.³ After the application proceeds to publication, interested parties have 90 days from the date of publication to oppose registration of the mark.⁴ If no opposition is filed within this time, the mark may proceed to registration.⁵ Notice is then sent to the applicant for payment of the registration fee within 30 days from the date of receipt of notice.⁶ Registration of the trade mark is valid for 10 years from the date that the application was filed.⁷ Registration of the trade mark may be renewed for a further period of 10 years within 90 days before the date of expiration of the original registration, or of the latest renewal of registration, as the case may be.⁸ This process may be repeated indefinitely.

Nature of Licensing Rights

The rights to a trade mark application or registered trade mark are transferable and inheritable.⁹ The proprietor of a registered trade mark may grant a licence to other persons to use his trade mark for any or all of the goods for which it was

1 Trade Mark Act, s 9.
2 Trade Mark Act, s 10.
3 Trade Mark Act, s 29.
4 Trade Mark Act, s 30.
5 Trade Mark Act, s 40.
6 Trade Mark Act, s 40.
7 Trade Mark Act, s 53.
8 Trade Mark Act, s 55.
9 Trade Mark Act, s 48.

Thailand

registered.¹ According to the Notice of the Department of Intellectual Property, a trade mark licence agreement must at least provide:

- Conditions and terms of the agreement between the trade mark proprietor and the person applying to be an authorised licensee which enable the former to control the quality of the goods manufactured by the latter;
- Specification as to the goods for which the licensed trade mark is to be used; and
- Provision specifying that only the authorised licensee has the right to use the trade mark, or that the proprietor will authorise any person in addition to the authorised licensee to use it.

A trade mark licence agreement must be in writing and registered with the Department of Intellectual Property;² otherwise, it may be void and unenforceable in Thailand.³ This nullity, stated in section 68 of the Trade Mark Act, was confirmed by a decision of the Supreme Court (DIKA) in 2003.⁴

Another decision in 2007 followed this judgment by confirming the nullity of a trade mark licence when such contract had not been registered with the Department of Intellectual Property. However, the Supreme Court found that the defendant acted honestly in accordance with the agreement by using the plaintiff's trade mark, although the agreement was void. Therefore, the Supreme Court held that the defendant did not infringe the plaintiff's trade mark.⁵

Trade mark and service mark licence agreements are governed by the Trade Mark Act 1991, Ministerial Regulations, and the general law of contracts under the Civil Code and Commercial Code. A trade mark will be deemed registrable if it is distinctive, not forbidden under the Act (essentially not making a reference to the monarchy of the Kingdom and not using official emblems or documents), and not identical or similar to those already registered by others.

1 Trade Mark Act, s 68.

2 Trade Mark Act, s 68.

3 The Trade Mark Act is silent as to the penalty for failure to register a licence.

4 Supreme Court, Judgment Number 2213/2545 (2002), *World Sport Ltd v G M Thai Ltd*.

5 Supreme Court, Judgment Number 5219/2550 (2007), *Mr Chawana Kietwanasaevi v Kata Anglothai Association Ltd*.

Trade mark or service mark licence agreements are governed by the provisions of the Trade Mark Act 1991,¹ the Ministerial Regulations, and the general laws of contract under the Civil and Commercial Code. A trade mark will be deemed registrable if it is distinctive, not forbidden under the Act (essentially, not making a reference to the monarchy of the Kingdom and not using official emblems or documents), and not identical or similar to those already registered by others.

On application for registration of the licence, the Registrar may issue an order accepting the licence agreement, imposing conditions or limitations as he deems suitable for the well-being of the public.

Licence agreements are used in Thailand primarily for quality-control purposes. The quality level indicated in the agreement enables the licensor to monitor and control the quality of the goods manufactured or of the services rendered by the licensee. Registering a trade mark allows the owner to have the exclusive right to the use of the mark in respect of the goods or services registered and to prevent any unauthorised use of an identical or confusingly similar mark. A licence to use a registered trade mark allows the licensee to use the mark without subjecting himself to infringement liability.

The use of the trade mark or service mark by the licensee will be deemed as use of the mark by the licensor, which can be raised as a defence in the event of a cancellation action for non-use.² The extent to which a trade mark licensee possesses the standing to take an infringement action without the need to join the licensor is unclear absent any reference to this right in the Trade Mark Act. It is widely believed by many commentators, despite the absence of express reference, that an exclusive licensee of a trade mark would possess the entitlement to instigate a legal action. This authority would derive from the interests of the exclusive licensee, which could be seen to be very close to the interests of the licensor. The same cannot be said of non-exclusive licensees who would possess no such right. Since Thailand is a freedom-of-contract jurisdiction, the contracting parties can adopt any terms or conditions they deem appropriate and agreeable, as long as the terms and conditions do not violate the Unfair Terms Act.

¹ Trade Mark Act, ss 68–79.

² Trade Mark Act, s 70.

Territorial Scope

The Trade Mark Act stipulates that the licensee will have the right to use the trade mark throughout the country.¹

Term

The term of the agreement is stipulated in the agreement itself, and it is determined freely by the parties; nonetheless, under the Trade Mark Act, the registered trade mark is accorded protection for an initial period of 10 years from the date of registration and can be renewed for further periods of 10 years indefinitely.²

Rights of Licensor

Permitted Use

Use by the licensee in Thailand may be relied on by the licensor himself. The licensor can set terms regarding the scope of permission and use and can terminate the agreement if the licensee uses the mark in an unauthorised manner.

Licensor's Rights with Respect to Contractual Obligations

Both exclusive and non-exclusive licence agreements can be enforced. In the absence of any provision in the agreement to the contrary, the licensor will have the right to use the trade mark and authorise any person in addition to the licensee to use it, as well.³

In the absence of any provision in the agreement to the contrary, the authorised licensee may not transfer the authorisation thereunder to any third person nor sub-license any person to use the trade mark.⁴ The licensor may terminate the licence agreement if the licensee uses the mark in any way other than that agreed on in the licensing agreement. Termination also may ensue where the licensee fails to comply with the licensing and registration requirements.

¹ Trade Mark Act, s 78.

² Trade Mark Act, ss 53 and 55.

³ Trade Mark Act, s 77.

⁴ Trade Mark Act, s 79.

Infringement Proceedings

The legal framework for the protection of marks in Thailand is set out in the Trade Mark Act, BE 2534 (AD 1991), as amended by the Trade Mark Act (Number 2) BE 2543 (AD 2000), the Penal Code, and the Civil and Commercial Code. Under this framework, there are essentially two alternatives to proceed to take legal action against an infringer, ie, a criminal action and/or a civil action.

The most cost-effective remedy available to the licensor of a trade mark that is registered in Thailand is found in the Trade Mark Act. Section 44 of the Act provides that when a trade mark is registered, the person registered as the proprietor of that trade mark will have the exclusive right to its use for the goods in respect of which registration has been granted.

Penalties for forgery of a trade mark registered in Thailand can include fines of up to Baht 400,000 and prison sentences of up to four years (usually reduced or suspended for first-time offenders). A trade mark owner may bring criminal charges against an infringer by either submitting a complaint directly to the court or, more commonly, lodging a complaint with police authorities. Penalties for imitation of a mark registered in Thailand are similar but less severe. The key point to remember is that the mark must be registered in Thailand to have the full range of protections provided in the Trade Mark Act. Infringement of foreign-registered marks also can lead to criminal sanctions, but the fines are dramatically less and provide little deterrent effect.

Significantly, unlike the Copyright Act, which provides for allocation of fines imposed against copyright infringers, all fines imposed under a criminal trade mark action escheat to the government. Moreover, a trade mark owner may not 'settle' with the offender after a complaint is filed and a raid is taken. The action must be pursued by the responsible Public Prosecutor to judgment.

In addition to section 44 of the Trade Mark Act, civil action for infringement may be taken pursuant to section 420 of the Civil and Commercial Code. The 'Civil and Commercial Code' states that:

. . . [a] person who, wilfully or negligently, unlawfully injures the life, body, health, liberty, property or any right of another person, is said to commit a wrongful act and is bound to make compensation therefor.

Therefore, under Thai commercial law, a trade mark owner or licensor is entitled to take civil action against an infringer for use of its mark without authorisation. In a civil suit, an owner could request a permanent injunction against the offender and/or recover any actual proven damages. However, in practice, most trade mark owners prefer to proceed under criminal law because of the uncertainty of outcome, costs, delays, and difficulty in collection of judgment assets associated with civil litigation against infringers in Thailand.

According to the Trade Mark Act, the owner of a trade mark not registered in Thailand is not entitled to institute any legal proceedings in court to prevent use of the mark, or to recover damages for infringement. To obtain protection for an unregistered trade mark, the owner must look to the Penal Code, which imposes penalties on use of a name, figure, artificial mark, or wording in carrying on trade of another person or causing the same to appear on merchandise, or a packing covering, advertisement, price list, commercial letter, or the like so as to make the public believe that the goods are the merchandise or trade of another person. Moreover, under the Civil and Commercial Code, an owner of an unregistered trade mark has the right to institute a court case in the Intellectual Property and International Trade Court (established on 1 December 1997) against any person for passing-off goods as those of the true proprietor.

An owner of a trade mark cannot use the ® designation on imported goods if the trade mark is not registered in Thailand. The importer is subject to a punishment of both imprisonment and a fine for violation. There is no dedicated statute specifically promulgating unfair competition laws other than the Penal Code ‘Offences Relating to Trade’. As a general matter, trade dress protection doctrines also are not recognised under Thai law.

Obligations of Licensor

According to the Notice of the Department of Intellectual Property, BE 2543 (AD 2000), a trade mark licence agreement must at least provide:

- Conditions and terms of the agreement between the trade mark proprietor and the person applying to be an authorised licensee which enable the former to control the quality of the goods manufactured by the latter;
- Specification of the goods for which the licensed trade mark is to be used; and

- Provision specifying that only the authorised licensee has the right to use the trade mark, or that the proprietor will authorise any person in addition to the authorised licensee to use it.

A trade mark licence agreement must be in writing and be registered with the Department of Intellectual Property. Licence agreements are used in Thailand primarily for quality-control purposes (and, as of the February 2009 promulgation of a new Product Liability Act, increasingly so in regards to consumer rights). The quality level indicated in the agreement enables the licensor to monitor and control the quality of the goods manufactured or of the services rendered by the licensee.

A decision of the Supreme Court clarifies the scope of trade mark licence agreements. In the decision, a question was raised as to whether an agreement was void since it was not recorded with the Department of Intellectual Property. The parties signed an agreement which allowed the defendant to manage a gasoline station business under the CALTEX trade mark. The defendant agreed to make payments to use and manage the business under the plaintiff's system. The plaintiff was responsible for supplying all products, including the supermarket called 'Star Mart'. The Supreme Court found that this agreement was not a trade mark licence agreement, but an agreement to manage the gasoline station; therefore, the agreement was not void.¹

Rights of Licensee

As a registered licensee, the rights to use the trade or service mark and possibility to sue for infringement are the same as for the licensor, unless the agreement stipulates otherwise.

As discussed earlier, it is believed that an exclusive licensee may bring infringement proceedings against any person other than the proprietor himself in his own name. However, in the absence of any specific legislation or court authority, this area of Thai law is still uncertain. Generally, if the claim is one in which both the licensor and the licensee have rights of action, the owner must be joined in, unless the agreement stipulates otherwise. An ordinary licensee is

¹ Supreme Court, Judgment Number 1223/2549 (2005), *Caltex v Andaman Oil Ltd.*

required to request the licensor to initiate infringement proceedings before taking independent action.

Obligations of Licensee

Any interested person or the Registrar may request the Board of Trade Marks to cancel the licence if they can show that the authorised licensee is using the trade mark in a manner that deceives or confuses the public or is contrary to public order or that the licence holder is no longer able to actually control the quality of the goods bearing the trade mark.¹

In the event the registration of a trade mark is cancelled, the licence to use such trade mark will become null and void.²

Royalties

There are no provisions in the Trade Mark Act stipulating regulations regarding the payment of royalties under a licence agreement. The parties are bound only by the terms of their agreement although, if the terms are unfair or substantially disadvantageous to the licensee party, the Director-General may void the term and replace the offensive provisions.

Taxation Issues

The withholding tax imposed on royalties is 15 per cent.³ The licensee, as the payer of royalties, has the duty to withhold 15 per cent income tax and remit the tax to the Revenue Department no later than the seventh day of the month following the month of payment.⁴ The 15 per cent withholding tax may be reduced to 10 per cent under some double-taxation treaties that Thailand has with various countries. The 15 per cent withholding tax paid to the Thai Revenue Department may be used as a credit against the licensor's income tax payable on such royalties in the resident country (credit method). Under some double-taxation treaties, the exemption method is applied instead of the credit method. Under

1 Trade Mark Act, s 72.

2 Trade Mark Act, s 76.

3 Revenue Code, Income Tax Schedule, ch III.

4 Revenue Code, s 70.

the exemption method, royalties subjected to tax in Thailand are exempt from income tax in the resident country.

There is no requirement to inform the Revenue Department of the payment of royalties. The licensee will file a withholding tax return and remit the tax to the Revenue Department no later than the seventh day of the month following the month of payment. However, the withholding tax certificate issued by the Thai Revenue Department may be required as evidence for a tax credit in the resident country. In this regard, the licensor generally appoints the licensee as its appointee on an application for a withholding certificate. Documents required for submission to the Thai Revenue Department for the application include a patent licence agreement, a copy of the withholding tax return, the receipts issued by the Revenue Department, and a power of attorney.

There is value-added tax imposed on payment of royalties to foreign licensors.¹ The licensee, as a payer of royalties, is required to self-assess and remit seven per cent value-added tax to the Thai Revenue Department no later than the sixteenth day of the month following the month of payment.² The value-added tax paid to the Thai Revenue Department can subsequently be used by the licensee as a credit against its value-added tax payable, or claimed as a refund. Therefore, the tax cost for the licensee is only the time value of money.

Extension and Amendment

Extension and amendment of a trade mark licence may be freely negotiated by the parties.

Linkage with Other Intellectual Property Rights

The parties are free to link the use of trade marks with other rights, including patent, trade secret, confidential information, and copyright, in the licence agreement.

¹ Revenue Code, s 80.

² Revenue Code, s 83.

Public Policy

Certain items are prohibited for use as trade marks, such as royal names and royal monograms, official and national flags, and a mark that is identical or very similar to a ‘well-known trade mark’.

Licensing of Layout-Designs of Integrated Circuits

Nature and Definition

The protection of semiconductor chip topographies in Thailand commenced with the coming into force of the Protection of Layout-Designs of Integrated Circuits Act (BE 2543) (the ‘Layout-Designs Act’), which was enacted in 2000. Prior to this legislation, it was arguable that protection may have been available under both the Copyright Act (as a work of applied art) and the Patents Act (either as a patent for an invention or a patent for a design). The new legislation now provides that the protection of layout-designs for integrated circuits is not subject to patent law.¹

The legislation offers protection to the owners to the designers of novel layout-designs for integrated circuits. Such layout-designs include any ‘pattern, layout, or image, however appearing in any form or method, made for the purpose of displaying the disposition of being an integrated circuit’.²

An integrated circuit is defined as ‘a product in a final or an intermediate form for the purpose of performing an electronic function, consisting of elements which can stimulate an electronic operation, and interconnections that connect some or all of these elements, and which are placed in layers and integrally formed on or in the same piece of a semiconductor material’.³

Before a new layout-design is capable of being protected, a registration process must be followed. This is unlike the situation that exists in other countries where equivalent rights arise automatically on the creation of the new layout-design.

1 Protection of Layout-Designs of Integrated Circuits Act, s 5.

2 Protection of Layout-Designs of Integrated Circuits Act, s 3.

3 Protection of Layout-Designs of Integrated Circuits Act, s 3.

Moreover, the layout-design for which protection is applied for must be novel in the sense that the design is not commonplace in the integrated circuit industry.¹

Where the layout-design uses component designs which individually considered would be regarded as commonplace, if the new layout-design using those commonplace components results in a new composite layout-design that is not common in the integrated circuit industry, protection may be obtained.²

The right to apply for protection for the new lay-out design rests with the designer who created the lay-out design as an employee unless otherwise agreed in writing. However, in certain circumstances an employer may obtain the right to apply for protection where the design of the new layout was commissioned by that employer. Additionally, joint developers of a new layout-design will have the right to apply for protection jointly. Nevertheless, if one joint owner refuses to join in an application, the remaining joint owners may apply for protection on behalf of themselves.³

The application process is initiated by a specifically formulated request addressed to the Department of Intellectual Property. The application must be filed within two years of the first commercial exploitation of the layout-design (that commercial exploitation may have been either within Thailand or in some other country). Where the layout-design has not yet been commercially exploited, the application for protection shall be made within 15 years from the date on which the creation of the layout-design was completed.⁴

The application for registration should be accompanied by full particulars of the designer, any assignee of the right to apply for protection, and details of the date of creation and of the first commercial exploitation (if any) of the layout-design. The application must also exhibit a diagrammatic or other pictorial representation which identifies the layout-design, or any other 'article producing the like result'.

Samples of the integrated circuit in which the layout-design is incorporated also should be submitted where the layout-design has already been commercially

1 Protection of Layout-Designs of Integrated Circuits Act, s 6(1).

2 Protection of Layout-Designs of Integrated Circuits Act, s 6(2).

3 Protection of Layout-Designs of Integrated Circuits Act, ss 8 and 11.

4 Protection of Layout-Designs of Integrated Circuits Act, s 14.

exploited as at the date of application.¹ To date, the system of protection for layout-designs in Thailand is relatively underutilised with very few registrations having been effected.

Nature of Licensing Rights

Generally, licences of layout-designs will be governed by the Layout- Designs Act and the general laws of contract under the Civil and Commercial Code and Ministerial Regulations BE 21545 (2002), Part 4, under the Act.

The right to apply for protection for a layout-design is transferable and inheritable.² The owner of the layout-design protection (or an assignee) may grant a licence to other persons to exercise the rights conferred on registration. The legislation uses the term 'right holder', which is defined to encompass both the original layout-design owner and assignees.

Licences must be in writing in order to be effective. An application form in addition to the license agreement is a *sine qua non* condition for the registration of the agreement by the Director General of the Department of Intellectual Property.³ All licences must be registered. In the absence of filing the prescribed form, the Director General is authorised to order an investigation. Further to the investigation results, the registration of the Layout-Design of Integrated Circuits may be subject to cancellation⁴ and consequently the licence will be void in the absence of cause.

Where an application for the registration of a licence of a layout- design relates to a layout-design that is jointly owned (ie, registered in joint names), registration of the licence may not take place except where all joint owners have

1 Protection of Layout-Designs of Integrated Circuits Act, s 15.

2 Protection of Layout-Designs of Integrated Circuits Act, s 10.

3 Ministerial Regulation, 2002, Clause 18, under the Protection of Layout-Designs of Integrated Circuits Act.

4 Ministerial Regulation, 2002, Clause 25, under the Protection of Layout-Designs of Integrated Circuits Act.

agreed.¹ Once an application for registration of a licence has been accepted, the Director General is required to publish the existence of the licence.²

Territoriality

The rights which specifically derive from registration of a layout-design are territorial in nature. In other words, the rights that are capable of being granted under the Layout-Designs Act do not extend beyond the territory of the Kingdom of Thailand.

Accordingly, a licence of a layout-design can only operate to confer rights in respect of that Thai registration within the Kingdom of Thailand.

Term

The parties are free to set the terms of the licence, and there is no restriction in the legislation to this effect. However, the term of protection for a layout-design is 10 years from the date of application for protection or the date of the first commercial exploitation of the layout-design, whichever is the shorter period.

It is important to note that the ability to obtain protection will cease on the fifteenth anniversary from the date of the completion of the layout-design's creation. Hence, if a layout designer waits six years to commercially exploit the layout-design or apply for registration, the maximum period of protection conferred by the legislation would be nine years.³

Annuity fees are payable for the duration of the registration and it would be typical to express a maintenance obligation in license agreements requiring the owner of the layout-design to maintain the registration in force for the duration of the licence.⁴

1 Protection of Layout-Designs of Integrated Circuits Act, s 24.

2 Protection of Layout-Designs of Integrated Circuits Act, s 24 and Ministerial Regulation Number 24.

3 Protection of Layout-Designs of Integrated Circuits Act, s 19.

4 Protection of Layout-Designs of Integrated Circuits Act, ss 20 and 21.

Rights of Licensor

Licensable Rights

The licensor may license any of the rights that are specifically reserved to him by the Layout-Design Act. These privileges include the following exclusive rights:

- The reproduction of the layout-design which has been registered;
- The importation, sale, or distribution by any means of the layout-design or an integrated circuit in which the layout-design is incorporated, for commercial purposes; and
- The importation, sale, or distribution by any means of a product containing an integrated circuit incorporating the protected layout-design for commercial purposes.¹

These rights are divisible; accordingly, the owner of the layout-design may license all or some of the foregoing.

Infringement Proceedings

Section 22 of the Layout-Designs Act provides that the rights of a right holder in a registered layout-design are infringed if a person performs any of his exclusive rights without authorisation.

Certain permissible acts may be undertaken by a non-licensee with respect to a registered layout-design. For example, an act in relation to a product or an integrated circuit which would otherwise amount to infringement may not amount to an actionable infringement where the protected layout-design has been removed. Moreover, reproduction of a protected layout-design for the purpose of evaluation, analysis, research, education, or personal non-commercial use will not infringe the right holder's rights in the registered layout-design.²

Where the unauthorised importation, sale, or distribution of a product containing or incorporating a protected layout-design was conducted without knowledge or reasonable grounds to know that the layout-design right is being infringed, the person who carries out those unlawful activities will not generally be liable

¹ Protection of Layout-Designs of Integrated Circuits Act, s 22.

² Protection of Layout-Designs of Integrated Circuits Act, s 23.

other than for the payment of royalties 'in a reasonable amount in the course of trade' for products disposed of after becoming aware of the infringement.¹

It should be noted that the protection of layout-designs in Thailand conferred by registration does not confer an absolute monopoly right. It will be a defence to any allegation of infringement if the alleged infringer can demonstrate that an identical layout-design has been independently developed by the infringer.²

The remedies available under the Layout-Designs Act are generally seen as quite weak. There is no clear provision explicitly recognising the ability to obtain civil damages, leaving right holders to rely on the various tort provisions of the civil and commercial code to seek redress. An infringement of the layout-design right entailing the authorised reproduction of the layout design is a criminal offence with offenders being liable for fines up to Baht 500,000. Other infringing activities also are regarded as criminal offences punishable by fines up to Baht 200,000.³

Obligations of Licensor

Section 25 of the Layout-Designs Act contains a clear obligation on licensors not to include conditions or other terms (including remuneration terms) that restrict or prevent competition under the law on trade competition.

The law on trade competition in Thailand is principally enshrined in the Trade Competition Act 1999. The legislation, in section 25, sets out a number of activities which will be proscribed in respect of entities that are essentially dominant in the market. These activities include:

- Unfairly fixing or maintaining the purchase price or sale price of goods and services;
- Unfairly imposing compulsory contractual conditions in either a direct or indirect manner in terms which require a customer to limit the provision of services, or limit the manufacture or the purchase and sale of goods, or terms that otherwise restrict the opportunity for a customer to buy or sell goods or acquire or provide services, or obtain credit from other business operators;

1 Protection of Layout-Designs of Integrated Circuits Act, s 23(4).

2 Protection of Layout-Designs of Integrated Circuits Act, s 23(6).

3 Protection of Layout-Designs of Integrated Circuits Act, ss 48 and 49.

- Suspending, reducing, or limiting the provision of services or the manufacture, purchase, sale, delivery, or importation without reasonable grounds, and the destruction or damaging of goods so as to reduce the quantity thereof to a level lower than market demand; and
- Intervening in the business operations of others without reasonable grounds.

An examination report regarding the non-compliance with the application form and the related evidence can be submitted to the Director General for his consideration. If the Director General considers that no clause in the agreement seems to impose any condition, restriction, or royalty term limiting or preventing competition under the Trade Competition Act, the license agreement shall be registered. Or, if the Director General states that any condition, restriction, or royalty term is contrary to the Trade Competition Act, the Director General will submit this license agreement to the Layout-Design Board.¹ The Director General will be obliged to refuse the registration if the term in issue is found to violate the competition law.

However, if the infringing clause is severable from the remainder of the licence, the Director General may nevertheless register the remaining non-infringing parts of the licence. Any interested party may appeal a decision of the Layout-Design Board to the Court within 90 days.²

A right holder in a layout-design who grants rights to a subsequent licensee which contradict the terms of a previous licence may face the registration of the first licence being revoked.³

Compulsory Licence

The owner of the registered layout-design must generally exploit the layout-design in Thailand in a manner that is not anti-competitive.⁴ At any time after the expiration of three years after the granting of the certificate of registration of the layout-design, any person may apply to the Director-General

¹ Ministerial Regulation, 2002, Clauses 20 and 21, under the Protection of Layout-Designs of Integrated Circuits Act.

² Protection of Layout-Designs of Integrated Circuits Act, ss 24 and 25.

³ Protection of Layout-Designs of Integrated Circuits Act, s 26.

⁴ Protection of Layout-Designs of Integrated Circuits Act, s 32.

for a licence if it appears that the owner of the layout-design has exercised his rights in a manner that restricts or prevents competition under the law on trade competition.

Before the Director-General can order the issuance of a compulsory licence, the applicant must show that he has made an effort to obtain a licence on proposed terms and conditions and proposed remunerations that are reasonably sufficient (and in accordance with the rules, procedures, and conditions as set out in the Ministerial Regulation), and that no agreement was attainable within a reasonable time period. Appeals may be taken against the decision of the Director-General within 90 days.¹ According to Ministerial Regulation BE 2545 (2002), once the layout-design has been registered for three years, any person may apply to use that design if such person can prove that the right holder of such layout-design has exploited the layout-design in an anticompetitive manner.

In case of compulsory licensing, the holder of the layout-design must submit an application including the following evidence:

- The evidence to prove that after the expiration of three years from granting of a registration and issuance of a certificate of design layout, the right holder has exercised his right in a manner that tends to limit or prevent competition under the law governing trade competition;
- The evidence to prove that the applicant has made an effort to obtain the license from the right holder by proposing conditions and royalties reasonable under the circumstance, but no agreement could be reached within a reasonable period;
- The proposed scope and time period for the exercise of right, along with the evidence to prove that such proposition is appropriate under the circumstances; and
- The royalty fees which must be reasonable as well as the conditions and restrictions for the right holder and the licensee in the exercise of right.²

The licensee or the right holder can file an application to cancel the compulsory licence if he can prove that the reasons for which the licence has been granted

¹ Protection of Layout-Designs of Integrated Circuits Act, ss 33 and 34.

² Ministerial Regulation, 2002, Clause 27, under the Protection of Layout-Designs of Integrated Circuits Act.

have expired or if the licensee does not comply with the conditions under the licence agreement.¹

In addition, the applicant must provide proof that he had offered fair compensation in return for a licence, but that this offer had been rejected. The applicant must furnish the previously proposed licence terms that were rejected. If successful, the applicant will obtain a limited licence the terms of which will be determined by the Registrar of Layout-Designs within the Department of Intellectual Property.

Compulsory licences can be issued where the necessity of national defence, maintenance of national security, maintenance of safety, health, or environment, or where other public non-commercial interests dictate.²

Rights of Licensee

The rights of the licensee will depend on the terms of the licence agreement. Generally, the parties are free to determine the extent of the rights granted and the limitations of use of the layout-design. The owner of the layout-out design will be free to grant a sole, exclusive, or non-exclusive licence. Moreover, the licence may confer rights to all the specific layout-design rights reserved to the owner on registration, or the licence may only confer limited rights of use in respect of only a portion of those rights.

On registration of the licence with the Department of Intellectual Property, the licensee will be able to enforce its obligations against infringing third parties.

To date there have been no reported cases in Thailand involving an action initiated by a licensee of a layout-design. The layout-design rights which specifically arise through registration under the Layout-Designs Act are conferred on a 'right holder'. The term 'right holder' is defined to mean the person to whom the layout-design registration certificate has been issued, in addition to assignees of that right. The legislation is silent as to the ability of a licensee to initiate an infringement action absent the licensor.³

¹ Ministerial Regulation, 2002, Clause 31, under the Protection of Layout-Designs of Integrated Circuits Act.

² Protection of Layout-Designs of Integrated Circuits Act, ss 34 and 35.

³ Protection of Layout-Designs of Integrated Circuits Act, s 3.

Nevertheless, in keeping with the generally recognised view that an exclusive licensee or sole licensee is often regarded as having the same rights as the owner of the intellectual property licensed, it would be irregular if Thai courts refused standing to an exclusive or sole licensee to initiate an infringement action. Leaving aside any contractual limitation by a licensor on the right to initiate litigation, the ability of exclusive and sole licensees to instigate court action is common in many jurisdictions and it is thought that the same will apply in Thailand. In a similar vein, it is believed that non-exclusive licensees would not have the right to bring infringement proceedings without joining the layout-design right holder to the proceedings, either as co-plaintiff or defendant.

Obligations of Licensee

The principal obligation of a licensee under a licence of a layout- design is to conform to the obligations contractually imposed. Typically, such obligations relate to the timely payment of royalties, the provision of access to books of account, and to facilities where the rights are being exploited.

There are no explicit legislative obligations imposed on licensees; nevertheless, it is to be expected that exclusive licensees and sole licensees may face the same legislative obligations as the licensor given the parity of the parties' rights. Accordingly, sole and exclusive licences would be obliged to adhere to the principles of trade competition.

Where litigation is initiated against a right holder in respect of the exercise of the layout-design rights, it would be typical to expect the exclusive licensee of those rights to be joined to the proceedings where the litigation arises from actions under the control of the exclusive licensee. While the legislation is silent on this point, it would be expected that the revocation of the registration of a layout-design will cause an automatic revocation of all licences of those rights.

Royalties

There is no provision in the Layout-Designs Act that stipulates the amount of royalties payable.

Thailand is generally a 'freedom of contract' jurisdiction and as such the parties may essentially agree on any term in a licence agreement, provided there is no unfair limitation of competition or violation of public policy. As such, the parties

may agree on whether the royalty will be a percentage of net sales, a percentage of gross sales, a lump sum periodic royalty, or a minimum guaranteed up-front royalty payment. There is no minimum or maximum royalty rate.

Taxation

The withholding tax imposed on royalties is 15 per cent.¹ The licensee, as the payer of royalties, has the duty to withhold 15 per cent income tax and remit the tax to the Revenue Department no later than the seventh day of the month following the month of payment.² The 15 per cent withholding tax may be reduced to 10 per cent under some double-taxation treaties that Thailand has with various countries.

The 15 per cent withholding tax paid to the Thai Revenue Department may be used as a credit against the licensor's income tax payable on such royalties in the resident country (credit method). Under some double-taxation treaties, the exemption method is applied instead of the credit method. Under the exemption method, royalties being subjected to tax in Thailand are exempt from income tax in the resident country.

There is no requirement to inform the Revenue Department of the payment of royalties. The licensee will file a withholding tax return and remit the tax to the Revenue Department no later than the seventh day of the month following the month of payment. However, the withholding tax certificate issued by the Thai Revenue Department may be required as evidence for a tax credit in the resident country. In this regard, the licensor generally appoints the licensee as its appointee on an application for a withholding certificate. Documents required for submission to the Thai Revenue Department for the application include a patent licence agreement, a copy of the withholding tax return, the receipts issued by the Revenue Department, and a power of attorney.

There is value-added tax imposed on payment of royalties to foreign licensors.³ The licensee, as a payer of royalties, is required to self-assess and remit seven per cent value-added tax to the Thai Revenue Department no later than the sixteenth

¹ Revenue Code, Income Tax Schedule, ch III.

² Revenue Code, s 70.

³ Revenue Code, s 80.

day of the month following the month of payment.¹ The value-added tax paid to the Thai Revenue Department can subsequently be used by the licensee as a credit against its value-added tax payable or claimed as a refund. Therefore, the tax cost for the licensee is only the time value of money.

Extension and Amendment

Any extension of the term of the agreement may be freely negotiated by the parties. Similarly, any amendment to the terms of the agreement is open to negotiation.

Linkage with Other Intellectual Property Rights

The parties may choose freely to refer to other intellectual property rights such as trade secrets, trade marks, copyright, patents, and confidential information.

Typically, many licences will contain a confidentiality obligation to protect trade secret type disclosures which may have taken place in parallel with the licence of the layout-design. Such disclosures often take the form of specific know-how or show-how in relation to the use or exploitation of the layout-design technology.

Licensing of Trade Secrets

Nature and Definition

The use and misuse of trade secrets and other confidential information in Thailand is governed by the Trade Secrets Act BE 2545 (AD 2002). This legislation, which came into force on 12 April 2002, immediately placed the rights of trade secret owners on firmer footing than had previously been the case.

Previously, trade secret owners possessed a limited amount of protection. Protection under the law of contract may have been available in cases where the use of the trade secret by a third party had been specifically delimited by contractual obligation. Where the trade secret had been misappropriated or disclosed in violation of that contract protection, protection could be obtained under the various tort provisions in the Civil and Commercial Code, as well as under a number of commercial law enactments.

¹ Revenue Code, s 83.

Despite the availability of this protection, a number of shortcomings were evident which would have to be rectified if Thailand were to fully comply with its TRIPs obligations. For example, it was unclear to what extent criminal sanctions could be imposed against unauthorised users of trade secrets. Moreover, it appeared as though limited or no redress could be obtained against third parties who were not in a contractual relationship to the trade secret owner.

Accordingly, the new Trade Secrets Act serves to confer greater rights on trade secret owners by extending the number of parties against whom a trade secret may seek redress. Moreover, for the first time, the legislation expressly recognises the rights of the trade secret owner in his confidential information, independent of the existence of any contractual relationship.

New Legislation

Trade secrets are defined by the legislation as trade information ‘not yet publicly known or not yet accessible by persons who are normally connected with the information and that the commercial values of which derive from its secrecy and that the controller of the trade secrets has taken appropriate measures to maintain its secrecy’.¹

In turn, the concept of trade information is defined to include ‘any medium that conveys the meaning of a statement, facts, or other information irrespective of its method and forms. It shall also include formulas, patterns, compilations or assembled works, programs, methods, techniques, or processes’.²

Trade secret laws in Thailand are designed to offer protection to the owner of confidential information from unauthorised use of secret information that has been disclosed in restricted circumstances or in cases where the information was obtained ‘contrary to honest trade practices’. Where the information has been obtained ‘contrary to honest trade practices’, a duty of confidence will be placed on the recipient of the information.

However, unlike other forms of intellectual property (such as copyright or trade mark) where the essence of the right conferred is to control the use by third parties of information and other materials that have become known to the world at

¹ Trade Secrets Act, s 3.

² Trade Secrets Act, s 3.

large, the nature of a trade secret is that its value derives from its secrecy. Once the trade secret becomes publicly known, the trade secret owner will lose the commercial advantage it had. Moreover, information which is in the public domain cannot be protected under the Trade Secret Act.

For as long as the trade secret remains confidential, the trade secret owner is entitled to disclose to or deprive others of the use of the trade secret. Where a person obtains access to a trade secret through any of the following actions, he will owe a duty of confidence to the trade secret owner not to disclose the information to any third party. However, before the obligation not to disclose the information or deprive the usage of the trade marks arises, the party infringing must have been aware or should have had reasonable cause to have been aware that his actions are 'contrary to honest trade practices':

- Breach of contract;
- Infringement or inducement to infringe confidentiality;
- Bribery;
- Coercion;
- Fraud;
- Theft;
- Receiving stolen property; and
- Espionage through electronic or other means.¹

In a number of circumstances, the disclosure of a trade secret will not infringe the rights of the trade secret owner. For instance, the trade secret may have been discovered independently by a third party through independent invention or expertise or through reverse engineering. However, if the trade secret is discovered through reverse engineering, the person who reverse engineered did not breach a contractual commitment by doing so.

If a person obtains access to a trade secret without knowing or having reasonable cause to know that the party who disclosed the information infringed a third party's trade secret rights, then that person's use or disclosure of the trade secret information will not be an infringement.²

¹ Trade Secrets Act, s 6.

² Trade Secrets Act, s 6.

Similarly, where a state agency is in possession of a trade secret, it may disclose or use that trade secret where it is necessary for the protection of public health or safety or when it is necessary for the benefit of other public interests with no commercial purpose.

Nature of Licensing Rights

As the essential value of trade secrets derives from their secrecy, which confers a competitive advantage over competitors, the licensing of third parties to use trade secrets is not as common as other forms of intellectual property. Nevertheless, the licensing of trade secrets often goes hand-in-hand with licences of other types of intellectual property — particularly in technology transfer types of agreements. In such agreements, proprietary know-how or show-how can be licensed to third parties in conjunction with licences of patented technology.

Licences of trade secrets also are common in franchise-type relationships, OEM manufacturing, and other outsourcing type relationships. It is common to find licensors of patented technology seeking to restrict the use of trade secrets which may often be imparted with the licence of the patent. This is particularly the case where the patent may have been drafted narrowly so as to ensure successful registration.

Often, the art or science set out by the specification may need to be supplemented by further background trade secret knowledge of the licensor to enable the licensee to derive full value from the licensed technology. In such cases, the importance of the trade secrets imparted is almost more valuable than the patent itself and heavy restrictions on the use of such trade secrets is often expected in the corresponding contractual licences.

The ability to grant licences to use or to disclose trade secrets is expressly recognised in the Trade Secrets Act. A trade secret owner may ‘license someone else to disclose, deprive of, or use the trade secrets’.¹ Moreover, when licensing the trade secrets, the owner is entitled to stipulate such terms and conditions for the maintenance of the secrecy of the information as he deems fit.

Transfers and other forms of assignment of a trade secret also are provided for in the legislation. Such transfers must be made in writing (except in the case of

¹ Trade Secrets Act, s 5.

inheritance) and signed by both the transferor and transferee. If a transfer of a trade secret is silent as to the duration of the transfer, the legislation fixes the period of the transfer at 10 years.¹

Licences of trade secrets do not need to be in writing, and there is no recordal requirement. Nevertheless, in practice, most dispositions involving the grant of rights of use to a trade secret are in writing.

Territoriality

The rights which specifically derive from the Trade Secret Act are confined to Thailand. Nevertheless, unlike other forms of intellectual property, in most countries trade secret protection is not contingent on obtaining a successful registration. Trade secret protection arises spontaneously on the creation of the trade secret. The protection for a trade secret can be lost if public disclosure takes place anywhere in the world.

With the foregoing in mind, it is common for trade secrets to be treated as worldwide rights by the trade secret proprietor and most trade secret licences and contractual restrictions are phrased in absolute terms to apply worldwide. The pertinence of this is obvious. A disclosure of a trade secret in one jurisdiction could have the effect of destroying the secrecy of that information in all other jurisdictions, thereby depriving the trade secret proprietor of the ability to restrict future use of that information which would be deemed to be information that has entered the public domain.

Term

The parties are free to set the terms of the licence, and there is no restriction in the legislation to this effect. There is no limit on the term of protection for a trade secret under the Trade Secret Act. In theory, for as long as the information remains secret, the legislation will afford protection. Hence, the protection may last in perpetuity.

¹ Trade Secrets Act, s 5.

Assignments of trade secrets should state the period for which the assignment should last. If no period of term is specified in the contract, the term is presumed to be for 10 years.¹

Rights of Licensor

Licensable Rights

The licensor may license any of the rights that are specifically reserved to him by the Trade Secret Act. These rights include the right to:

- Disclose the trade secret;
- Deprive the trade secret; and
- Use the trade secret.

Accordingly, the owner of the trade secret may license all or some of the foregoing rights. Importantly, the licensor has the right to stipulate terms and conditions for the maintenance of secrecy.

Infringement Proceedings under Trade Secret Act

Section 6 of the Trade Secret Act provides that the trade secret rights of a trade secret proprietor are infringed if a person discloses, deprives usage, or uses a trade secret without the authorisation of the owner in a manner that is contrary to honest trade practices.

Civil and criminal remedies for infringement are available to an aggrieved trade secret proprietor. Where a trade secret proprietor can provide clear evidence that an infringement of a trade secret has either been committed or is about to be committed, the ‘controller’ of the trade secret may apply to court for interim injunction (to be followed by a permanent injunction) together with a claim for damages.² The use of the words ‘controller’ of the trade secret would also make

¹ Trade Secrets Act, s 5.

² Trade Secrets Act, s 8.

such remedies available to those who are the rightful ‘possessor, controller, or caretaker of the trade secrets’.¹

The court has the power to award damages to the ‘controller of the trade secret’ equivalent to the actual damages suffered and order an account of profits accrued from the infringement. Where the court is unable to measure either the actual damages or the profits deriving from the infringement, it also is open to the court to award such amount of damages as it deems appropriate. In circumstance where there is clear evidence that the infringement of the trade secrets rights was conducted wilfully or maliciously, the court also is empowered to award punitive damages which should not exceed twice the amount of the actual damages awarded.

It also is a criminal offence to disclose a trade secret without authorisation with the malicious intention to cause damage to the business of the controller of the trade secrets. The potential criminal penalties include imprisonment of up to one year and/or a fine not exceeding Thai Baht 200,000.²

Obligations of Licensor

The obligations of a licensor in respect of his trade secrets are typically regarded as less severe than those under other intellectual property rights. This is directly related to the perilous nature of the protection afforded by trade secret laws: Protection can be lost the instant the information becomes public knowledge or the instant a third party independently discovers the technology comprising the trade secret.

Accordingly, licensors face a difficult burden of keeping the relevant information secret. This is in direct contrast to other types of intellectual property where public disclosure and awareness of the subject matter of the intellectual property right form the basis for the grant of limited rights of monopoly to the right owner. In the context of trade secrets, there is no disclosure of information for the public benefit. For most other types of intellectual property (eg, patents), legislative obligations concerning the use of the rights granted act as a counterbalance to the abusive exploitation of the monopoly rights granted by the state.

¹ Trade Secrets Act, s 3.

² Trade Secrets Act, s 33.

For trade secrets, the protection does not derive from the state but from the acts of the trade secret owner.

In this context, there is no obligation on licensors to ‘work’ the trade secret, disclose the trade secret, or register or grant compulsory licences. The obligations of a licensor *vis-à-vis* a licensee of a trade secret will typically derive from the licence agreement. Such obligations often relate to the manner of communication of the trade secrets and typically define the manner in which the licensee is to be made aware of the confidential nature of the information.

For example, it is common to expect the licensee to demand that confidential information is communicated under circumstances which make it easy for the licensee to clearly identify what is to be protected (whether in the form of specific markings attached to information, or through delivery of information through specific channels).

Rights of Licensee

The rights of the licensee will depend on the terms of the licence agreement. Generally, the parties are free to determine the extent of the rights granted and the limitations of use of the trade secret.

Typically, the rights of the licensee will permit use in relation to specific projects or for specifically defined needs. In some cases, the licence may permit limited disclosure to various third parties on condition that those third parties also are bound to confidentiality obligations.

Right to Bring Infringement Proceedings

The right to bring infringement proceedings is conferred on the ‘controller of trade secrets’, which is defined to include not only the owner of the trade secret, but also the possessor, controller, and caretaker of the trade secret.

Accordingly, a licensed user of a trade secret will have standing to take infringement proceedings under the legislation. This ability, however, may be curtailed by contract where the licensor seeks to retain full autonomy over the enforcement of his rights. This is particularly the case as infringement proceedings concerning trade secrets provide a danger in themselves that the trade secret may become further disclosed and that this will erode the competitive advantage of the trade secret owner further.

Obligations of Licensee

The obligations of the licensee specifically derive from the licence agreement. In a trade secret licence these obligations often labour heavily on the requirement of the licensee to ensure that the confidentiality of the trade secrets is not compromised. Hence, procedural safeguards to ensure against unauthorised use of the trade secret are often imposed on the licensee. A secondary obligation relates to the timely payment of royalties.

Often, on termination of the licence, it is typical to expect the licensor to either return the confidential information or have it destroyed. Most confidentiality obligations survive the termination for defined periods of time.

Royalties

Thailand is generally a ‘freedom of contract’ jurisdiction and as such the parties may essentially agree on any term in a licence agreement, provided there is no unfair limitation of competition or violation of public policy.

As such, the parties may agree on whether the royalty will be a percentage of net sales, a percentage of gross sales, a lump sum periodic royalty, or a minimum guaranteed up-front royalty payment. There is no minimum or maximum royalty rate.

Taxation

The withholding tax imposed on royalties is 15 per cent.¹ The licensee, as the payer of royalties, has the duty to withhold 15 per cent income tax and remit the tax to the Revenue Department no later than the seventh day of the month following the month of payment.²

The 15 per cent withholding tax may be reduced to 10 per cent under some double-taxation treaties that Thailand has with various countries. The 15 per cent withholding tax paid to the Thai Revenue Department may be used as a credit against the licensor’s income tax payable on such royalties in the resident country (credit method). Under some double-taxation treaties, the exemption method is

¹ Revenue Code, Income Tax Schedule, ch III.

² Revenue Code, s 70.

applied instead of the credit method. Under the exemption method, royalties subjected to tax in Thailand are exempt from income tax in the resident country.

There is no requirement to inform the Revenue Department of the payment of royalties. The licensee will file a withholding tax return and remit the tax to the Revenue Department no later than the seventh day of the month following the month of payment. However, the withholding tax certificate issued by the Thai Revenue Department may be required as evidence for a tax credit in the resident country.

In this regard, the licensor generally appoints the licensee as its appointee on an application for a withholding certificate. Documents required for submission to the Thai Revenue Department for the application include a patent licence agreement, a copy of the withholding tax return, the receipts issued by the Revenue Department, and a power of attorney.

There is value-added tax imposed on payment of royalties to foreign licensors.¹ The licensee, as a payer of royalties, is required to self-assess and remit seven per cent value-added tax to the Thai Revenue Department no later than the sixteenth day of the month following the month of payment.² The value-added tax paid to the Thai Revenue Department can subsequently be used by the licensee as a credit against its value-added tax payable or claimed as a refund. Therefore, the tax cost for the licensee is only the time value of money.

Extension and Amendment

Any extension of the term of the agreement may be freely negotiated by the parties. Similarly, any amendment to the terms of the agreement is open to negotiation.

Linkage with Other Intellectual Property Rights

The licence of trade secrets often takes place in tandem with a licence of other intellectual property rights; frequently, this is done with patents where proprietary know-how or show-how may be required to exploit the patented technology more effectively.

¹ Revenue Code, s 80.

² Revenue Code, s 83.

Licensing of Trade Secrets

Trade secret licensing also is commonly experienced in research collaboration, franchises, and other business operation agreements where access to specific inside information may be required. There is no legislative bar to parties referring to other intellectual property rights in a trade secret licence.