

THAILAND

Recent Supreme Court Decision on the Issues of Trademark Licensing Agreements

Similar to the global practice, Section 68 of the Thai Trademark Act 1991 stipulates that the owners of trademarks or service marks registered in Thailand who license other parties to use their trademarks or service marks for any or all of the goods or services are required to register the license agreements with the Department of Intellectual Property. Failure to comply with the contract formality requirement would result in the invalidity of the licensing agreement.

Unfortunately, in practice, the issue is often ignored when the licensing transaction reaches closure. This situation frequently occurs in a transaction between Thai parties who may not be familiar with the international legal practice, resulting in the question on trademark licensing agreement being submitted to the Supreme Court for review.

A recent Supreme Court decision [No. 5219/2550 (2007)] issued a ruling on an aspect of trademark licensing agreements which has rarely been discussed: the question of the intention of the parties to the agreement.

Chawana Kietchawanasaevi, the plaintiff, was the owner of the marks "The Hide-Away" and "Lemon Baby" by virtue of a May 2002 transfer from the company called Hide Away Natural Product Limited (HANP). HANP was



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also a transferee of the same marks from another company called Hide Away Group, having received them in 1991. After entering into a trademark licensing relationship on June 16, 1998, with Hide Away Group (1991), which was the original owner of the mark, the defendant was now the licensee of the marks in question. The term of the licensing agreement was five years, making June 16, 2003, the last effective date. After receiving the service mark license, the defendant had been operating a spa, sauna, herbal steaming, and traditional massage business since December 1998.

The plaintiff filed a complaint with the police requesting a criminal action against the defendant on January 16, 2003, based on forgery of his service mark (whereas the defendant's licensing remained good and valid until June 16, 2003). The plaintiff and the defendant had a negotiation before the police inquiry officer and the defendant agreed to cease using the mark from February 2003 onward regardless of the licensing agreement. The plaintiff later found a cause of legal action, and coordinated with the police to arrest the authorised director of the defendant and to file a civil lawsuit to claim for damages and permanent injunction. The defendant argued that the use of the service mark was non-infringing use because of the existence of the licensing agreement. The plaintiff, however, rebutted the defendant's argument by citing Section 68 of the Trademark Act and arguing that the licensing agreement was invalid.

The Intellectual Property and International Trade Court (IP&IT Court) dismissed the plaintiff's case, in response to which the plaintiff appealed to the Supreme Court. The Supreme Court affirmed the IP&IT Court ruling.

The issue determined by the Supreme Court was whether the defendant had infringed the plaintiff's service mark.

The Supreme Court held that although the licensing agreement was void because it was not properly recorded with the Trademark Office, the licensing context which authorised the licensee to use technical information and the product of the plaintiff caused the defendant to believe in good faith that the defendant was permitted to use the marks. Furthermore, after the marks were transferred to HANP, the business relationship and commercial arrangements between HANP and the defendant remained usual. There was no reason for the defendant to believe



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that the business relationship and commercial arrangement would not be the same after the second transfer of the service marks. Therefore, the defendant neither intentionally nor recklessly infringed the plaintiff's service marks.

Importantly, during the cross-examination, the plaintiff testified that none of the advertising signboards which used the plaintiff's service marks were found on the day the defendant's director was arrested. This means that the defendant had stopped using the plaintiff's service mark. Therefore, there was no admissible evidence to prove the defendant's infringing act as alleged. The Supreme Court dismissed the case.

While the central issue of this Supreme Court decision lies in the analysis of whether the infringement occurred, another important rationale relates to the validity of the trademark licensing agreement. Although the Supreme Court did not explicitly rule that the parties' intention trumps the registration requirement under the law, the common argument of licensing invalidity because of failure of compliance may no longer be viable in other future cases.

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