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Supreme Court Decision Clarifies Trademark License Registration Requirements

Similar to the trademark licensing practice in several countries, a trademark license agreement in Thailand must be registered with the Registrar at the Department of Intellectual Property (DIP). If two parties make an agreement but fail to register it, the licensing parties do not have the right to enforce the license agreement. Thus, the registration of a trademark license agreement is essential in Thailand.

However, because the Trademark Act does not define the term “trademark license,” the question often arises as to which types of agreements are considered to be trademark licenses that need to be registered. In other words, practitioners often ask whether agreements such as distributorship agreements, franchising agreements, or technology transfer agreements—each of which may have an element of trademark use—need to be registered with the DIP. A recent Supreme Court case has provided at least a partial response to this question.

Requirements Under the Thai Trademark Act

According to Section 68 of the Trademark Act B.E. 2534 (1991), the owner of a registered trademark may grant a license to other persons for any, or all, of the goods for which it is registered. However, such trademark license agreement must be registered with the DIP. Applications for registration of a trademark license agreement must be in accordance with the rules and procedures of Ministerial Regulation No. 1, which prescribes the required documents and lays out the process for filing applications.

Under current Thai law, a trademark license agreement must be undertaken in writing, and must at least identify:

1. The conditions and terms of the agreement between a trademark proprietor and a person applying to be an authorized licensee, which enables the former to control the quality of the goods or services;
2. The goods or services for which the licensed trademark is to be used; and
3. A provision specifying that only an authorized licensee has the right to use the trademark, or that such proprietor shall authorize any person, in addition to the authorized licensee, to use it.

Failure to comply with the contract formality requirements would render the licensing agreement invalid.

Supreme Court Decision

A 2010 Supreme Court decision, *Bangchak Petroleum Public Company Limited v. Sanpatong SR Petroleum Limited Partnership et al.* (Dika case 10207/2553), has shed new light on the types of agreements to which these formality requirements apply.



**Bangchak
Trademark**

Bangchak Petroleum, the plaintiff in this case, owned the registered mark BANGCHAK in Thailand, for use with petroleum fuel and petroleum products. Bangchak granted the rights to Sanpatong SR Petroleum and its managing partner, the defendants in this case, to operate a retail outlet, in the form of a gas station, to sell gasoline and petroleum products. Bangchak remained the proprietor of the land, building, all the construction located in the outlet, and all the equipment used to operate the gas station.

The defendants missed a payment for the delivered products, as well as a royalty fee, insurance premium, penalties for late payment, and damages for selling petroleum products from other sources in the gas station, amongst other requirements.

As a result, Bangchak filed a case with the Intellectual Property and International Trade Court (IP&IT Court) to claim for damages totaling approximately THB 10 million (or approximately USD 330,000). The plaintiff also demanded that the defendants be removed from the properties and that such properties be returned to the plaintiff.

Sanpatong and its managing partner argued that the agreement they made with Bangchak was not enforceable because the license agreement at dispute was not registered with the DIP. In its decision, the IP&IT Court awarded debt receivable to Bangchak but held that the agreement between the parties, which contained a clause allowing the defendants to use the plaintiff's trademark, was invalid because the parties had failed to properly register the license agreement with the DIP.

Bangchak appealed to the Supreme Court, arguing that the agreement at dispute was not meant to be a trademark license agreement, as it merely granted Sanpatong the right to operate a retail unit (i.e., a gas station), while Bangchak was the proprietor of the land, construction, equipment, signboard, and trademark used within the gas station.

The Supreme Court agreed with Bangchak's argument and reversed the IP&IT Court's decision on the issue of trademark license agreement. The Court ruled that even if there was an element of use of the mark BANGCHAK with the products, the mark was in fact used by its owner. The defendants bought products from the plaintiff, and then sold such goods to the public. This was not a case in which the defendants sought to obtain their own supply source, and then used the plaintiff's trademark with the supplied products, with the plaintiff's authorization. Therefore, the agreement in this case was not a trademark license agreement that must be formally registered.

Analysis

Interpreting the Supreme Court's decision in this case, it appears that if two parties have a transaction wherein one party only acts as a middleman to distribute or sell the other party's products to consumers, such a transaction is not considered to be use of a trademark. Thus, it can be interpreted that a straightforward distributorship agreement should not be considered to be a trademark license agreement, and therefore is not required to be registered with the DIP.

Based on the specific facts of this case, it is worth noting that the plaintiff provided most of the equipment and property to the defendants, in order to operate the gas station. Furthermore, the defendants were not likely to have control of the marketing activities, nor did they produce any advertisements using or mentioning the plaintiff's trademark, since these activities were undertaken by the trademark owner.

In this context, this Supreme Court decision provides important guidance on the circumstances under which an agreement needs to be registered, and it may prove helpful in settling some aspects of this long-running registration debate. 🐼