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Damages in Trade Secret Litigation

Calculating damages is a difficult process in all variants of litigation. Assessing damages in cases involving trade secrets is, however, a far more arduous undertaking, riddled with complexities and obscurities that become particularly apparent when compared to assessments in cases relating to other forms of intellectual property rights.

In instances where a historical baseline has already been established—through the plaintiff and defendant developing and selling products to which the trade secret relates—if actual damages can be proven, then a loss of profits may be recoverable. A loss of profits is typically calculated as net profits, which is gross profits minus overhead and expenses. The majority of courts tend toward using the plaintiff's lost profits or the defendant's profit gains as the measure for assessing damages in trade secret cases. If neither the plaintiff nor the defendant has a sales history on which to base such a calculation, then the courts will most likely find the measure of lost profits to be too speculative for the purpose of recovering damages.

The court assessing damages calculates the plaintiff's lost profits through a range of methods, which vary from relatively straightforward to extremely complex. The following factors are taken into consideration by the court when making such an assessment:

- › The nature of the misappropriated trade secret;
- › Research and development costs;
- › Competition between the businesses of the plaintiff and the defendant; and
- › The size of the markets and other factors which are difficult to quantify.

Bearing in mind the above, it is therefore highly advisable for the plaintiff—during the trial—to demonstrate to the court that it has made significant investments in trade secrets related to technology, time, money, intellectual property, security measures, people, etc., over the course of many years. The plaintiff may present evidence to prove such factors to the court, with which the court can make considerations to determine the amount of damages to award.

In our firm's experience, the Intellectual Property and International Trade Court (IP&IT Court) has specified damages for the plaintiff in the following terms:

1. The compensation for benefits conferred on the defendant from, or because of, such infringement is calculated

from the sales of the defendant's goods produced from the machine and procedure of infringement on the plaintiff's trade secret. It was further held by the IP&IT Court that, in accordance with Section 13(1) of the Trade Secrets Act B.E. 2545 (2002), the Court is empowered to determine only damages for the actual damage suffered.

The plaintiff claimed that it had suffered a loss of revenue from the distribution of products produced by the defendant from the machine and procedure of infringement. The Court, however, determined that the plaintiff was not claiming for actual damage suffered. Further, the plaintiff's loss of revenue could not be said to have been wholly caused by the defendant's product distribution, because the customers who bought products from the defendant may not have otherwise purchased them from the plaintiff. The plaintiff's actual damages were therefore uncertain. Due to the trade secret infringement committed by the defendant against the plaintiff, however, the plaintiff inevitably incurred damages. Therefore, it was deemed expedient on this ground to determine the amount of compensation of damages for the plaintiff.

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2. In order to prove damages for the expenses incurred by the plaintiff in this lawsuit against the defendant, to maintain the secrecy of the plaintiff's trade secrets, and to show legal proceedings costs, detective costs, transportation costs, lawyer fees, and other expenses, the plaintiff must show the Court documentary evidence such as the receipts of transportation costs, lawyer fees, and other expenses.

Despite these supporting documents, the Court may not necessarily determine damages in accordance with the plaintiff's request.

3. Damages caused to the plaintiff from the day the complaint is filed until the defendant ceases to infringe on the plaintiff's trade secrets depend on the plaintiff's evidence. It is at the discretion of the judge.

Notwithstanding the above, in the last trade secret case handled by our firm, the IP&IT Court ordered the defendant to pay the plaintiff compensation for damages in the amount of THB 20,000,000 (USD 666,666) plus 7.5% interest per annum, calculated from the filing date of the lawsuit until the payment is made in full. This is the highest-ever amount of compensation ordered by the Court and is indicative of its flexibility when it comes to awarding damages. While this flexibility has its advantages, it further deepens the trench of unpredictability and obscurity that overshadows damages in trade secret litigation. Predictable outcomes are yet to be seen, but are certainly hoped for. 🙏