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**Nandana Indananda**  
 Partner  
[nandana.i@tilleke.com](mailto:nandana.i@tilleke.com)

<< Right  
**Ploynapa Julagasigorn**  
 Attorney-at-Law  
[ploynapa.j@tilleke.com](mailto:ploynapa.j@tilleke.com)

## Trademark License Agreements in Thailand: Choice-of-Law Clauses and Registration Requirements

In order to receive royalties, a trademark owner may license out its trademark rights to another party. To license trademark rights, a trademark license agreement must be made in writing and registered at the Department of Intellectual Property (DIP), in accordance with Section 68 of the Thai Trademark Act. If a trademark license agreement is not registered, it will be void, according to Section 152 of the Civil and Commercial Code and the support of various Supreme Court judgments (Decisions 7770/2547, 6436/2543, and 6190/2550). Registration helps disclose the owner and origin of the goods to avoid confusion among the public.

Sometimes the parties to a trademark license agreement will include a choice-of-law clause in the agreement, designating a foreign governing law. This raises a key question: if a choice-of-law clause indicates that a trademark license agreement is governed by foreign law, does it still need to be registered as required under Thai law? The Central Bankruptcy Court recently answered this question in a case involving the largest amount of compensation ever requested in the history of the courts for breach of a trademark license agreement.

Tilleke & Gibbins' client, a leading manufacturer and supplier of customized fittings and pipes, is a trademark owner in various countries, including Thailand. A former director of our client assigned its trademark to another party, the opposing party in this case. At a later point, the opposing party granted a license to our client, which became the licensee of the trademark. The former director and the opposing party included a choice-of-law clause in the agreement designating English law as the governing law. The parties did not register the license agreement with the DIP.

At a later point, our client underwent reorganization, during which it was alleged that our client had failed to perform its obligations under the trademark license agreement. The opposing party subsequently filed a request for compensation arising out of a breach of the license agreement for THB 6.9 billion, the largest amount of compensation ever requested in the history of the courts for breach of a trademark license agreement.

Among other defenses, our client argued that the trademark license agreement was void under Section 152 of the Civil and Commercial Code, because it was not registered at the DIP in accordance with Section 68 of the Trademark Act. In rebuttal, the opposing party claimed that the choice-of-law clause in the agreement designating English law as the governing law meant that registration under Thai law was not required.

In Thailand, a trademark license agreement is based on the general legal principle of freedom of contract. The parties to a trademark license agreement may essentially agree on any term in the agreement as long as it is not prohibited by law.

In this case, the parties chose a foreign law to govern the trademark license agreement to avoid having to comply with requirements under Thai law. Generally, a dispute regarding a trademark license agreement falls within the jurisdiction of the Intellectual Property and International Trade Court. However, as the dispute in this case was raised while our client was undergoing reorganization, jurisdiction fell within the purview of the Central Bankruptcy Court.

The Central Bankruptcy Court decided that the trademark license agreement was required to be registered in Thailand because the trademarks were registered and protected under Thai law. Because the trademark license agreement was not registered in Thailand, the agreement was void, in accordance with Section 68 of the Trademark Act and Section 152 of the Civil and Commercial Code. Therefore, the opposing party had no right to claim THB 6.9 billion in compensation.

Notably, the Central Bankruptcy Court did not state that the choice-of-law clause was invalid. Instead, the Court clarified that the choice-of-law clause did not serve as an exception to Section 68. Regardless of the choice-of-law clause, the trademark license agreement was still required to be registered with the DIP. Licensors and licensees should be aware of this ruling and ensure that their trademark license agreements are registered in Thailand. ⚖️