

Licensing

Contributing editors

Fiona Nicolson and Claire Smith



2018

**GETTING THE
DEAL THROUGH** 

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DEAL THROUGH 

Licensing 2018

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Fiona Nicolson and Claire Smith

Bristows LLP

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Preface

Licensing 2018

Tenth edition

Getting the Deal Through is delighted to publish the tenth edition of *Licensing*, which is available in print, as an e-book and online at www.gettingthedealthrough.com.

Getting the Deal Through provides international expert analysis in key areas of law, practice and regulation for corporate counsel, cross-border legal practitioners, and company directors and officers.

Throughout this edition, and following the unique **Getting the Deal Through** format, the same key questions are answered by leading practitioners in each of the jurisdictions featured. Our coverage this year includes new chapters on South Africa, Thailand and Vietnam, and an updated global overview.

Getting the Deal Through titles are published annually in print. Please ensure you are referring to the latest edition or to the online version at www.gettingthedealthrough.com.

Every effort has been made to cover all matters of concern to readers. However, specific legal advice should always be sought from experienced local advisers.

Getting the Deal Through gratefully acknowledges the efforts of all the contributors to this volume, who were chosen for their recognised expertise. We would like to thank the contributing editors, Fiona Nicolson and Claire Smith of Bristows LLP, for their assistance with this volume. We also extend special thanks to Bruno Floriani of Lapointe Rosenstein Marchand Melançon LLP, who contributed the original format from which the current questionnaire has been derived, and who helped to shape the publication to date.

GETTING THE 
DEAL THROUGH 

London
January 2018

Thailand

Alan Adcock, Siraphapha Rungpry and Kasama Sriwatanakul

Tilleke & Gibbins

Overview

- Are there any restrictions on the establishment of a business entity by a foreign licensor or a joint venture involving a foreign licensor and are there any restrictions against a foreign licensor entering into a licence agreement without establishing a subsidiary or branch office? Whether or not any such restrictions exist, is there any filing or regulatory review process required before a foreign licensor can establish a business entity or joint venture in your jurisdiction?**

Generally, there is no prohibition against a foreign entity carrying on business in Thailand. However, there are specific conditions and restrictions prescribed in various legislation concerning business establishment. For instance, even though there is no general registration requirement for the establishment of a branch of a foreign company in Thailand, some types of business activities may fall within specific laws or regulations that require special registration, such as certain categories of services business, banking, etc. Also, a foreign company is allowed to establish a representative office or a regional office in Thailand, but the company must comply with the regulations and requirements under the Foreign Business Operations Act. Some legislation prescribes ceilings on foreign ownership, conditions, restrictions or specific licence requirements in many industry sectors, and specific acts regulating specific businesses, such as banking, insurance, telecommunication, transportation, health services, etc.

By the same token, although there is no general restriction on the establishment of a business entity by a foreign licensor or a joint venture involving a foreign licensor, the specific laws and regulations that are applicable to certain industry sectors or business activities may entail special requirements, conditions or restrictions. The most common form of joint venture is the private limited company. On the other hand, an unincorporated joint venture would not be recognised as an independent legal entity, but it may be recognised as a form of partnership. Likewise, there is no preclusion against a foreign licensor entering into a licence agreement without establishing a subsidiary or branch office in Thailand. Depending on the form of business vehicle and its (intended) activities, certain filing or regulatory review processes may be required before a foreign licensor can establish a business entity or joint venture in Thailand.

Kinds of licences

- Identify the different forms of licence arrangements that exist in your jurisdiction.**

Typical forms of licence arrangements exist in Thailand, including, but not limited to, technology transfer licences (including patent and know-how licences), copyright, software and trademark licences, collaborative R&D agreements and distribution and franchise agreements. Generally, a licensor may grant either an exclusive or a non-exclusive licence or a sole licence to a licensee.

Law affecting international licensing

- Does legislation directly govern the creation, or otherwise regulate the terms, of an international licensing relationship? Describe any such requirements.**

Thailand is a freedom of contract jurisdiction, and therefore, the parties may agree on any terms in a licence agreement so long as they are not unfair (as prescribed in the Unfair Contracts Terms Act) or anti-competitive (as prescribed in the Trade Competition Act). There is no general limitation on royalty rates or duration of the contractual term, provided there is no unfair limitation of competition or violation of public policy. However, in the case of registered intellectual property (IP) rights, such as patents and trademarks, the licence of such registered rights cannot extend beyond the duration of the IP rights. Also, there is a registration requirement for licences of registered patents and trademarks. Compulsory licences are only available under special circumstances prescribed under law.

- What pre-contractual disclosure must a licensor make to prospective licensees? Are there any requirements to register a grant of international licensing rights with authorities in your jurisdiction?**

There is no mandatory pre-grant or post-grant disclosure of which a licensor is formally required by law to inform a prospective licensee. Thus, the prospective licensee would need to rely on its own due diligence before entering into a licence agreement.

A licence of a registered trademark or a registered patent in Thailand must be submitted to the Department of Intellectual Property for recordal. An unregistered trademark or patent licence is void as to its IP terms, and hence, unenforceable under Thai law. Also, licensee use of a trademark under an unrecorded licence agreement would not constitute good evidence to overcome a third party's cancellation for non-use.

- Are there any statutorily- or court-imposed implicit obligations in your jurisdiction that may affect an international licensing relationship, such as good faith or fair dealing obligations, the obligation to act reasonably in the exercise of rights or requiring good cause for termination or non-renewal?**

As the principles of Thai contract law are based on the freedom of contract, the parties are quite free to agree on any contractual terms, so long as they are not prohibited by law or contrary to public policy or good morals. However, it is expected that the parties will act in good faith and reasonably.

Further, Thailand has enacted statutory law entitled the Unfair Contract Terms Act (1997). The Unfair Contract Terms Act applies not only to consumer's contracts, but also to a Standard Form Contract, which is defined by the Act as 'a written contract in which essential terms have been prescribed in advance, regardless whether being executed in any form, and is used by either contracting party in his business operation'. Hence, if a licence agreement in question is a standard form contract, it would be subject to the court's scrutiny under the Act, even when the two parties were contracting in a business capacity. The Unfair Contract Terms Act provides 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. Thus, the Unfair Contract Terms Act allows the parties to refer to the courts for a decision as to whether terms within a contract are unfair (ie, whether the terms burden one party while giving excessive advantage to the other party, and therefore subject to limitation or avoidance).

6 Does the law in your jurisdiction distinguish between licences and franchises? If so, under what circumstances, if any, could franchise law or principles apply to a licence relationship?

Thai law does not currently distinguish between licences and franchises and parties are free to describe their relationship as they choose. Since there is no current specific stand-alone legislation regulating franchise agreements at present, there is no legal definition of franchising or a franchise. In Thailand, the franchising agreement generally refers to a legally binding agreement that outlines the franchisor's terms and conditions for the franchisee. Similar to a licensing agreement, a franchising agreement governs duties, rights and obligations between the parties. Several laws may be applicable to a franchising agreement, such as the Civil and Commercial Code, which includes contract law and tort law, and the Trademark Act, Patent Act or Trade Secret Act. A franchising agreement can be viewed as a type of a trademark, patent or trade secret licence, and therefore may be subject to applicable licence recordal requirements under law.

It should be noted that there is a draft Franchise Business Act, which has been pending enactment for a few years. Please see the end of this chapter for more background on the draft Franchise Business Act.

Intellectual property issues

7 Is your jurisdiction party to the Paris Convention for the Protection of Industrial Property? The Patent Cooperation Treaty (PCT)? The Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs)?

Yes, Thailand is party to the Paris Convention for the Protection of Industrial Property, the Patent Cooperation Treaty (PCT), and the Agreement on Trade-Related Aspects of Intellectual Property Rights.

8 Can the licensee be contractually prohibited from contesting the validity of a foreign licensor's intellectual property rights or registrations in your jurisdiction?

Thailand is generally a 'freedom to contract' jurisdiction, and as such, the parties may essentially agree to have any term in the agreement, provided there is no unfair limitation on competition or violation of public policy. There is currently no laws or regulations regulating clauses that prohibit a licensee from contesting the validity of a foreign licensor's trademarks.

However, Ministerial Regulations No. 25 (B.E.2542) issued under the Patent Act considers a clause that prohibits the licensee from challenging or raising a defence that the patent is invalid to be an unjustified contract term. Thus, it would not be permissible for the parties to mutually agree and be bound by contracts that prohibit a licensee from challenging the validity of the licensed patents, or the secrecy of know-how, during the term of the agreement and thereafter.

9 What is the effect of the invalidity or expiry of registration of an intellectual property right on a related licence agreement in your jurisdiction? If the licence remains in effect, can royalties continue to be levied? If the licence does not remain in effect, can the licensee freely compete?

The Thai Trademark Act B.E. 2534, as amended by the Trademark Act (No. 2) B.E. 2543, and Trademark Act (No. 3) B.E. 2559 stipulates under section 76 that 'if a trademark registration is cancelled, the licensing of such a trademark shall also cease to have effect.'

It can be implied from the above section that the invalidity or expiry of registration of a licensed trademark would affect the validity of the related licence agreement. However, since Thailand values freedom of contracting parties, the law does open rooms for the parties to agree for the licence to remain in effect even after expiration of the licensed trademark. This is confirmed by section 78, which stipulates that 'if not otherwise provided in the licence agreement, the licensee

shall have the right to use the trademark . . . for the entire term of the trademark registration and its renewals.'

With regard to patents, 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 (B.E. 2542). In any case, section 39(2) of the Thai Patent Act as amended by the Patent Act (No. 2) B.E. 2535 and the Patent Act (No. 3) B.E. 2542 states that 'the patentee shall not require the licensee to pay royalties for the use of the patented invention after the patent has expired.' The consequence of conditions, restrictions or licence terms concerning royalties that are contrary to the provisions of this section shall be considered null and void.

10 Is an original registration or evidence of use in the jurisdiction of origin, or any other requirements unique to foreigners, necessary prior to the registration of intellectual property in your jurisdiction?

No, an original registration or evidence of use in the jurisdiction of origin is not required for registration of IP rights in Thailand. There are also no requirements that are unique to foreigners, except for the fact that powers of attorney and other documents to be signed by IP holders who are foreigners must be notarised, whereas powers of attorney from local entities do not need notarisation.

Furthermore, foreign applicants need to appoint local representative to pursue registration of IP in Thailand.

11 Can unregistered trademarks, or other intellectual property rights that are not registered, be licensed in your jurisdiction?

Section 68 of the Thai Trademark Act makes it compulsory to register the licence agreement of a registered trademark with the Thai Trademark Office. Otherwise, such licence agreement will be void. However, the interpretation of this section has been made that licences are allowed to be made for unregistered trademarks and the licence of unregistered trademarks shall be binding on the parties without the need for registration since section 68 only requires a licence to be registered against registered trademarks.

Although there is no specific laws that regulate licensing of unregistered IP rights, it is arguable that other IP rights that are not registered can also be licensed since Thailand values freedom of contracts. However, once pending Thailand applications for patents and trademarks are granted, recordal of any licence to use must be effected with the Department of Intellectual Property.

12 Are there particular requirements in your jurisdiction: for the validity of an intellectual property licence; to render an intellectual property licence opposable to a third party; or to take a security interest in intellectual property?

Several laws 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 Trademark Act, the trademark licence agreement must contain, among others, the terms that allow the licensor to actually be able to control the quality of goods manufactured or services rendered by the licensee.

The validity of an IP licence may depend on registration of the licence. Owners of trademarks registered in Thailand who license other parties to use their trademarks are legally required to register the licence agreements with the Registrar of the Trademark Office of the Department of Intellectual Property. Similarly, for the licence of patents registration with the authority is also required in order for it to be valid.

Trademark licence is opposable or revocable by a third party if that any use of trademark by the licensee is confusing to the public or contrary to public or good morality policy. The licence may also be revoked if it is proven that the trademark owner is unable to genuinely control the quality of goods manufactured by the licensee.

13 Can a foreign owner or licensor of intellectual property institute proceedings against a third party for infringement in your jurisdiction without joining the licensee from your jurisdiction as a party to the proceedings? Can an intellectual property licensee in your jurisdiction institute proceedings against an infringer of the licensed intellectual property without the consent of the owner or licensor? Can the licensee be contractually prohibited from doing so?

First of all, it is important to note that the rights of the licensor and licensee to take action against infringers depend on the extent of the terms and conditions set forth in the licence agreement. In the case where such rights are not specifically mentioned in the licence agreement, several laws, such as the Trademark Act, the Patent Act, the Copyrights Act, the Civil and Commercial Code, or the Thai Criminal Code, may lay down the rules and provide guidance as to which contracting party is eligible to take action against infringers.

It is clear from the Trademark Act, the Patent Act, the Trade Secret Act and the Copyright Act that the licensor (or owner) will at all times possess the right of enforcement and will be able to take action against infringers. In addition, the licensor may pursue certain legal remedies, such as an injunction or damages.

According to the aforementioned laws, it is possible for a foreign owner or licensor of IP to initiate proceedings against a third party for infringement in our jurisdiction without joining the licensee as a party to the proceedings.

On the other hand, the laws are silent on whether an IP licensee may initiate proceedings against an infringer of the licensed IP in Thailand without the consent of the owner or licensor. Given the lack of clear guideline, many believed that an exclusive licensee should have the same rights as the owner or licensor; therefore, it should be possible for an exclusive licensee to bring an action against infringement without the consent of the owner or licensor.

In any case, according to the Civil and Commercial Code, any action directed against IP infringement by a third party should be joined by the owner or licensor to ensure that the action is properly initiated and valid.

With respect to the Thai Criminal Code, the licensee most likely has the right to file a complaint with the police and may attach a copy of the recorded licence agreement as evidence of standing. But safe practice dictates that the owner or licensor should join any complaint filed by the licensee in a criminal action.

Finally, 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 are fair and just. Therefore, the licensee could be contractually prohibited from instituting proceedings against an infringer of the licensed IP without the consent of the owner or licensor.

14 Can a trademark or service mark licensee in your jurisdiction sub-licence use of the mark to a third party? If so, does the right to sub-licence exist statutorily or must it be granted contractually? If it exists statutorily, can the licensee validly waive its right to sub-licence?

If not otherwise provided in the licence agreement, the licensee may not transfer the licence to third persons nor sub-licence others to use the trademark. In other words, a trademark or service mark licensee may sub-licence use of the mark to a third party, but the right to sub-licence must be granted contractually.

15 If intellectual property in your jurisdiction is jointly owned, is each co-owner free to deal with that intellectual property as it wishes without the consent of the other co-owners? Are co-owners of intellectual property rights able to change this position in a contract?

Co-owners of IP must jointly act when they want to assign or licence it to a third party. The Thai IP Offices will require the co-owners to mutually sign the assignment or licence agreements in order for it to be acceptable for recordation or registration. The co-owners are not able to change this position in a contract. If one of the co-owners is to act on its own, the other co-owner must give consent and grant powers through a power of attorney for the former to act on their behalf.

16 Is your jurisdiction a 'first to file' or 'first to invent' jurisdiction? Can a foreign licensor licence the use of an invention subject to a patent application but in respect of which the patent has not been issued in your jurisdiction?

We adopt the 'first to file' system. Licence of patents can only be registered for registered patents. Licence of the use of an invention can be made, but it would not be considered a licence of a patent application. Such licence agreement shall not be enforceable based on the Patent Act, but it could still be enforceable based on the Civil Commercial Code.

17 Can the following be protected by patents in your jurisdiction: software; business processes or methods; living organisms?

Patents will not be granted for microorganisms, animals or plants that naturally exist and their components or extracts; scientific and mathematical rules and theories including business methods; computer programs including software; methods for diagnosing, treating or curing diseases; or inventions that are contrary to public policy or morality, public health or welfare.

18 Is there specific legislation in your jurisdiction that governs trade secrets or know-how? If so, is there a legal definition of trade secrets or know-how? In either case, how are trade secrets and know-how treated by the courts?

Trade secrets and other confidential information are governed by the Trade Secrets Act B.E. 2545. Trade secret protection arises spontaneously on the creation of the trade secret. The protection for a trade secret can be lost if unauthorised public disclosure takes place anywhere in the world.

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'.

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 formulae, patterns, compilations or assembled works, programs, methods, techniques, or processes'.

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'.

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. In addition, 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. It should be noted that in 2015, the Trade Secrets Act was rather unhelpfully amended to reduce the penalties for unauthorised disclosure by government officials.

19 Does the law allow a licensor to restrict disclosure or use of trade secrets and know-how by the licensee or third parties in your jurisdiction, both during and after the term of the licence agreement? Is there any distinction to be made with respect to improvements to which the licensee may have contributed?

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 IP. Nevertheless, the licensing of trade secrets often goes hand in hand with licences of other types of IP – particularly in technology transfer or collaborative R&D 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 that may often be imparted with the licence of the patent.

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'. Moreover, when licensing trade secrets, the owner is entitled to stipulate such terms and conditions for the maintenance of the secrecy of the information as he or she deems fit. There is no restriction in the legislation to this effect. Transfers and other forms of assignment of a trade secret also are provided for in the legislation. If no period of assignment term is specified in the contract, the term is presumed to be for 10 years.

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.

20 What constitutes copyright in your jurisdiction and how can it be protected?

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.

An author of a work is the owner of the copyright subsisting in the work. When a work is created while acting in the capacity of employee under hire of service, the 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. On the other hand, when a work is created by a contractor for commission, the employer is entitled to copyright unless it is otherwise agreed by the parties.

Copyright is protected automatically without any registration – although a voluntary recordal procedure is available and thus provides prima facie evidence of subsistence and ownership. 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.

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. A licence does not give the licensee a proprietary right in the work but only permission to do the acts without subjecting him or herself to infringement liability.

21 Is it advisable in your jurisdiction to require the contractual assignment of copyright by the licensee to the licensor for any artwork, software improvements and other works that the licensee may have contributed to?

If the licensee made an improvement to the licensor's copyright works pursuant to a permission from licensor, the copyright of such adapted work will vest upon the licensee. However, such improvement must be in an essential part of the original work whether in whole or in part. In addition, the acquisition of copyright in the adapted work will not prejudice the licensor's copyright of their original work.

Based on the above, it would be advisable for a licensor to require the contractual assignment of copyright by the licensee to the licensor for any artwork, software improvements and other works that the licensee may have contributed to the licences copyrighted works.

Software licensing

22 Does the law in your jurisdiction recognise the validity of 'perpetual' software licences? If not, or if it is not advisable for other reasons, are there other means of addressing concerns relating to 'perpetual' licences?

Thai law does not directly address this point. However, software is protected under the Copyright Act in Thailand, and since the Copyright Act provides specific terms of copyright protection (lifetime plus 50 years in case of an individual author, and 50 years in case of a legal person), it is unlikely that 'perpetual' software licences would be recognised as valid under Thai law. Furthermore, section 15 of the Copyright Act clearly states that in granting licences, the conditions specified in such licences (if any) shall not restrict fair competition.

23 Are there any legal requirements to be complied with prior to granting software licences, including import or export restrictions?

No such legal requirements or import or export restrictions apply under current Thai law.

24 Who owns improvements and modifications to the licensed software? Must a software licensor provide its licensees bug fixes, upgrades and new releases in the absence of a contractual provision to that effect?

The parties can specify ownership of improvements and modifications to the licensed software in the licence agreement. Since software (ie, a computer program) is likely to be protected as copyright work under the Copyright Act, an improvement or modification of the licensed software without permission of the copyright owner (ie, licensor) may constitute copyright infringement.

A software licensor is not required by law to provide its licensees with new developments. Therefore, in the absence of a contractual provision to that effect, the software licensor is not obligated to provide bug fixes, upgrades or new releases to its licensees.

25 Are there legal restrictions in your jurisdiction with respect to the restrictions a licensor can put on users of its software in a licence agreement?

A licensor may impose restrictions on users of its software in a licence agreement, such as prohibiting users from carrying out reverse engineering or decompiling a software program. However, according to the Copyright Act, conditions or restrictions specified in a licence agreement must not be restrictive on fair competition. For instance, there may be no condition or limitation of the licensee's right to use any other copyright work owned by a third party. Furthermore, any 'unfair' restrictions may be subject to court's scrutiny and limitation or voidance under the Unfair Contract Terms Act (see question 5).

26 Have there been any legal developments of note in your jurisdiction concerning the use of open source software or the terms of open source software licences?

As of the end of 2017, there is no specific legal developments concerning the use or terms of open source software licences.

Royalties and other payments, currency conversion and taxes

27 Is there any legislation that governs the nature, amount or manner or frequency of payments of royalties or other fees or costs (including interest on late payments) in an international licensing relationship, or require regulatory approval of the royalty rate or other fees or costs (including interest on late payments) payable by a licensee in your jurisdiction?

There is no legislation stipulating regulations regarding the rate and payment of royalties in an international licensing relationship. No regulatory approval of the royalty rate (or other fees or costs) is required, even though a licence agreement concerning registered patents or registered trademarks must be submitted to the Thai Department of Intellectual Property for registration.

28 Are there any restrictions on transfer and remittance of currency in your jurisdiction? Are there any associated regulatory reporting requirements?

No specific restrictions apply. However, note that the Exchange Control Act governs exchange controls in Thailand. The regulations in this regard are administered by the Bank of Thailand. For instance, Thai nationals are subject to quantitative limits on the amount of foreign currency that can be remitted abroad without specific permission from the Bank of Thailand.

29 In what circumstances may a foreign licensor be taxed on its income in your jurisdiction?

The withholding tax imposed on royalties is 15 per cent. The licensee (who pays the royalties) has a duty to withhold 15 per cent income tax and remit the tax to the Thai Revenue Department. Under various double-taxation treaties that Thailand has with other countries, the 15 per cent withholding tax may be reduced to lower amounts.

Update and trends

Towards the end of December 2016, the Thai Cabinet returned the draft Franchising Business Act to legislators for further amendments over policy issues. The Act's first reading by the National Assembly has yet to be scheduled, and apparently its promulgation is not among the current government's priorities.

The draft Act provides that any franchisor who wishes to offer a franchising business to franchisees in the future must register with the Thai Ministry of Commerce and must have the requisite qualifications. Further, the draft law has followed the Chinese model (as set out in the 2005 PRC Ministry of Commerce's Administrative Measures on Commercial Franchising and the subsequent 2007 Franchise Regulations) by requiring the franchisor to have operated two franchise business outlets profitably for at least two years prior to filing the registration application.

Failure to comply with such agreements by the business operators will entitle the Committee for the Consideration of Administrative Punishment to revoke the franchise. Revocation will prevent the business operator from operating a new franchise business and relevant solicitation or advertisements can no longer be made.

With its entering into force on 5 October 2017, Thailand's new Trade Competition Act may help to clarify the relationship between

competition policy and IP rights. As introduced above, a licensee may invoke provisions from separate IP laws or implementing regulations to annul anticompetitive licensing relationships. However, patching together various provisions offers very limited options for causes of action and enforcement leeway (ie, they are inapplicable in the case of abuse of market dominance in which agreement invalidation is the only penalty available). These inadequate provisions are hardly equivalent to, say, an expressive provision in an antitrust statute.

Nonetheless, the new Trade Competition Act offers an interesting guideline within the 'definitions' section. Section 5 provides that the determination of market dominance must take into account the 'factors affecting competitive conditions', which are further defined as including 'access to necessary factors for production'. It is not an unreasonable leap of logic that 'factors for production' would cover IP, the 'access' to which is restricted by the vary nature of IP monopoly rights - including both the positive right to 'use' and the negative right to 'exclude'. This line of thought suggests that the strength of IP rights is one factor that may potentially affect competitive conditions within relevant markets, and so in some cases, confer market dominance on the business operator and cast the IP owner into the scope of the new Trade Competition Act.

The withholding tax paid 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.

Somewhat unique to Thailand is those fees a franchisor may require a franchisee to spend on advertising, marketing or promotional expenses to advertise or promote the franchisor's products or marks, may also be deemed as part of the franchise fees, which are subject to 15 per cent withholding tax, even though the expenses were not paid directly to the foreign franchisor (Supreme Court Judgment 4440/2552 (2009)).

In addition, value added tax (VAT) is imposed on payment of royalties to foreign licensors. The licensee is required to self-assess and remit 7 per cent VAT to the Thai Revenue Department.

Competition law issues

30 Are practices that potentially restrict trade prohibited or otherwise regulated in your jurisdiction?

The Trade Competition Act prohibits or otherwise limits practices that potentially restrict competition. The Trade Competition Act was recently amended in 2017 and the new Act has come into force on 5 October 2017.

Under the new Trade Competition Act, abuse of market dominance, anticompetitive agreements (such as price fixing, output restrictions, market allocation, exclusive dealing, reducing quality, setting conditions or practices for selling goods or services, etc), overseas agreement that could lead to a monopoly or an unreasonable restraint of competition and various 'unfair trade practices' are prohibited. Unfair trade practices include unfair obstruction of the business operation of others, unfair use of a superior bargaining position and unfair determination of trade conditions in order to restrict or impede the business operation of others.

31 Are there any legal restrictions in respect of the following provisions in licence agreements: duration, exclusivity, internet sales prohibitions, non-competition restrictions, and grant-back provisions?

For registered IP, the duration of the licence must not exceed the protection period. The parties are allowed to set the scope of exclusivity so long as such arrangements are not anticompetitive. Non-competition restrictions are valid only if they are reasonable (ie, usually no more than a few years).

No specific restrictions apply with regard to internet sales prohibitions and grant-back provisions. Thus, the general trade competition law applies.

32 Have courts in your jurisdiction held that certain uses (or abuses) of intellectual property rights have been anticompetitive?

None.

Indemnification, disclaimers of liability, damages and limitation of damages

33 Are indemnification provisions commonly used in your jurisdiction and, if so, are they generally enforceable? Is insurance coverage for the protection of a foreign licensor available in support of an indemnification provision?

Indemnification provisions are commonly used in Thailand and are generally enforceable. Insurance coverage for the protection of a foreign licensor in support of an indemnification provision is available, but the coverage is subject to the insurer's terms and conditions.

34 Can the parties contractually agree to waive or limit certain types of damages? Are disclaimers and limitations of liability generally enforceable? What are the exceptions, if any?

The parties are generally free to waive or limit certain types of damages. Disclaimers and limitations of liability are also generally enforceable. Nevertheless, depending on the context, some disclaimers and limitations of liability may not be valid, such as terms, notices or statements made in advance that restrict or exempt liability for infringement or breach of contract, for injury to life, body, or health that is caused by a deliberate or negligent act, or for wrongful acts arising from unlawful actions or actions that are contrary to public policy or good morals.

Termination

35 Does the law impose conditions on, or otherwise limit, the right to terminate or not to renew an international licensing relationship; or require the payment of an indemnity or other form of compensation upon termination or non-renewal? More specifically, have courts in your jurisdiction extended to licensing relationships the application of commercial agency laws that contain such rights or remedies or provide such indemnities?

Thai law does not impose conditions or limit the parties' rights to terminate or not to renew an international licensing relationship. No payment of an indemnity or compensation is required upon termination or non-renewal, except otherwise agreed in the licence agreement.

36 What is the impact of the termination or expiration of a licence agreement on any sub-licence granted by the licensee, in the absence of any contractual provision addressing this issue? Would a contractual provision addressing this issue be enforceable, in either case?

If the (master) licence agreement is terminated or expired, the corresponding sub-licence granted is also deemed terminated, unless otherwise agreed in the (master) licence agreement, eg, to allow the sub-licence to continue thereafter (often under certain conditions).

Bankruptcy

37 What is the impact of the bankruptcy of the licensee on the legal relationship with its licensor; and any sub-licence that the licensee may have granted? Can the licensor structure its international licence agreement to terminate it prior to the bankruptcy and remove the licensee's rights?

Thai law does not automatically terminate a licensing relationship upon bankruptcy of the licensee. Nor does it terminate a sub-licence duly granted by the licensee prior to its bankruptcy. However, the licensor can include clauses in the licence agreement to terminate it prior to the licensee's bankruptcy and remove the licensee's rights. Such clauses are common in Thai practice and generally enforceable.

38 What is the impact of the bankruptcy of the licensor on the legal relationship with its licensee; and any sub-licence the licensee has granted? Are there any steps a licensee can take to protect its interest if the licensor becomes bankrupt?

A licensor's bankruptcy does not automatically terminate a licence between the licensor and a licensee or a sub-licence duly granted by the licensee. If the licensee anticipates that it would rather terminate the licensing relationship should the licensor become bankrupt, the licensee may structure the licence agreement to be terminated prior to or upon the licensor's bankruptcy. Generally, clauses that allow either party to terminate the licence agreement prior to or upon bankruptcy of the other party are common and enforceable. However, the licensee needs to carefully structure the effects of the termination in such a way that will protect its interest.

Governing law and dispute resolution

39 Are there any restrictions on an international licensing arrangement being governed by the laws of another jurisdiction chosen by the parties?

Since Thailand is a freedom of contract jurisdiction, the parties are free to choose a governing law that both parties agree upon. However, when the parties specify the governing law that is not Thai law, if the dispute

or action for enforcing the agreement is brought before Thai courts, it would be necessary to prove such foreign law to the Thai courts (eg, by having an expert witness giving testimony explaining the relevant points of laws of that jurisdiction to the Thai court). Thai courts would normally honour the choice of law of the parties. However, the court has a certain amount of discretion and may reject such foreign law, to the extent that it is contrary to Thai law, or to the extent that it is contrary to public policy or good morals, as determined by the Thai court.

40 Can the parties contractually agree to arbitration of their disputes instead of resorting to the courts of your jurisdiction? If so, must the arbitration proceedings be conducted in your jurisdiction or can they be held in another?

The parties to a licence agreement are free to choose arbitration as a mechanism for dispute resolution. The place of arbitration may be inside or outside of Thailand. Arbitration clauses are common and enforceable under Thai law – as are carveouts for preliminary injunctive relief before courts of any competent jurisdiction (particularly in regard to IP or confidentiality breaches).

41 Would a court judgment or arbitral award from another jurisdiction be enforceable in your jurisdiction? Is your jurisdiction party to the United Nations Convention on the Recognition and Enforcement of Foreign Arbitral Awards?

At present, Thai law does not recognise foreign judgments. Therefore, if a party obtains a judgment award in another jurisdiction, that party would not be able to have the foreign judgment enforced in Thailand right away. The party would need to bring the matter before a competent court in Thailand to get the foreign judgment enforced, which sometimes may entail having to relitigate the case again in the Thai court. On the other hand, unlike foreign judgments, foreign arbitral awards are recognised and directly enforceable in Thailand under the New York Convention, to which Thailand is a party.

42 Is injunctive relief available in your jurisdiction? May it be waived contractually? If so, what conditions must be met for a contractual waiver to be enforceable? May the parties waive their entitlement to claim specific categories of damages in an arbitration clause?

Injunctive relief is generally available in Thailand. An injunction issued by a Thai court cannot be waived contractually. On the other hand, the parties may contractually agree not to authorise an arbitral tribunal to order injunctive relief or agree to waive their right to claim specific categories of damages in an arbitration clause. Such waiver would likely exclude the arbitral tribunal's jurisdiction to adjudicate the specified damages claims.

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