

Licensing 2021

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Licensing 2021

Contributing editors**Simon Chalkley and Fiona Nicolson**

Keystone Law

Lexology Getting The Deal Through is delighted to publish the thirteenth edition of *Licensing*, which is available in print and online at www.lexology.com/gtdt.

Lexology 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 Lexology 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 a new chapter on Sweden.

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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.

Lexology Getting The Deal Through gratefully acknowledges the efforts of all the contributors to this volume, who were chosen for their recognised expertise. We also extend special thanks to the contributing editors, Simon Chalkley and Fiona Nicolson of Keystone Law, for their continued assistance with this volume.



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OVERVIEW

Restrictions

- 1 | 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 and banking. 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 Act. Some legislation prescribes ceilings on foreign ownership, conditions, restrictions or specific licensing requirements in many industry sectors, and specific acts regulating specific businesses, such as banking, insurance, telecommunication, transportation and health services.

Furthermore, 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 apply 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. 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

Forms of licence arrangement

- 2 | 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, know-how and trade secret licences), copyright, software and trademark licences,

collaborative research and development 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

Creation of international licensing relationship

- 3 | 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. 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 of BE 2540 (1997)) or anticompetitive (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 rights (IPRs), such as patents and trademarks, the licence of such registered rights cannot extend beyond the duration of the IPRs. Also, there is a registration requirement for licences of registered patents and trademarks. Compulsory licences are only available under special circumstances prescribed under law.

Pre-contractual disclosure

- 4 | What pre-contractual disclosure must a licensor make to prospective licensees?

There is no mandatory pre-contractual disclosure that 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.

Registration

- 5 | Are there any requirements to register a grant of international licensing rights with authorities in your jurisdiction?

Licence of a registered trademark and licence of a registered patent in Thailand must be submitted to the Department of Intellectual Property for recordal. Such recordal requirements apply equally to domestic and international licences. An unregistered trademark or patent licence is void as to its intellectual property 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.

INTELLECTUAL PROPERTY ISSUES

Paris Convention

- 6 | 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 a party to:

- the Paris Convention for the Protection of Industrial Property 1883;
- the Patent Cooperation Treaty 1970; and
- the Agreement on Trade-Related Aspects of Intellectual Property Rights 1994.

Contesting validity

- 7 | 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 are 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 (BE 2542) (1999), 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.

Invalidity or expiry

- 8 | 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 BE 2534 (1991), as amended by the Trademark Act (No. 2) BE 2543 (2000) and Trademark Act (No. 3) BE 2559 (2016), 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 the 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'.

Regarding 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 (BE 2542) (1999). In any case, section 39(2) of the Thai Patent Act, as amended by the Patent Act (No. 2) BE 2535 (1992) and the Patent Act (No. 3) BE 2542 (1999), 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.

Requirements specific to foreigners

- 9 | 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 intellectual property rights (IPRs) 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 IPR holders who are foreigners must be notarised, whereas powers of attorney from local entities do not need notarisation.

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

Unregistered rights

- 10 | 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 a licence agreement will be void as to its IPR terms. 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 are no specific laws that regulate licensing of unregistered IPRs, it is arguable that other IPRs that are not registered can also be licensed since Thailand emphasises the freedom to contract. However, once pending applications for patents and trademarks are granted, recordal of any licence to use must be effected with the Department of Intellectual Property.

Security interests

- 11 | Are there particular requirements in your jurisdiction to take a security interest in intellectual property?

Under the Business Security Act BE 2558 (2015), intellectual property is included as a type of property that can be used as a business security. Notably, to do so in Thailand, the law requires that the receiver of the security must be a financial institution or any other entity that is specifically prescribed in the subsequent Ministerial Regulations to the Business Security Act. The law also requires that a business security agreement shall be executed in writing and filed with the Registrar at the Business Security Registration Office in the Department of Business Development. Failure to do so will result in the agreement being deemed void.

Proceedings against third parties

- 12 | 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, 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 outlined 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. Also, the licensor may pursue certain legal remedies, such as an injunction or damages.

According to the aforementioned laws, a foreign owner or licensor of IPRs can initiate proceedings against a third party for infringement in Thai jurisdiction without joining the licensee as a party to the proceedings.

On the other hand, the laws are silent on whether an intellectual property licensee may initiate proceedings against an infringer of the licensed intellectual property in Thailand without the consent of the owner or licensor. Given the lack of clear guidelines, many believe 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 intellectual property infringement by a third party should be joined by the owner or licensor to ensure that the action is properly initiated and valid. Also, since damages are generally awarded against actual demonstrable and quantifiable damages, licensees are usually joined in complaints against infringers because they would stand to most likely have incurred such actual damages.

Regarding 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 intellectual property without the consent of the owner or licensor.

Sub-licensing

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

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

Jointly owned intellectual property

14 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 intellectual property must jointly act when they want to assign or license it to a third party. The Thai intellectual property offices will require the co-owners to mutually sign the assignment or licence

agreements 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.

First to file

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

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

Scope of patent protection

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

Patents will not be granted for the following:

- 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.

Trade secrets and know-how

17 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 BE 2545 (2002). 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 several 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. Also, 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. Notably, in 2015, the Trade Secrets Act was amended to reduce the penalties for unauthorised disclosure by government officials.

- 18 | 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 intellectual property. Nevertheless, the licensing of trade secrets often goes hand in hand with licences of other types of intellectual property – particularly in technology transfer or collaborative research and development 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, original equipment manufacturer 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.

Copyright

- 19 | 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. However, 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.

SOFTWARE LICENSING

Perpetual software licences

- 20 | 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 the case of an individual author and 50 years in the case of a legal person, such as a company), 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.

Legal requirements

- 21 | 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. However, a voluntary copyright recordal of the software is advisable since it provides prima facie evidence of subsistence and ownership of the software that is the subject of the licence.

Restrictions on users

- 22 | 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 a court's scrutiny and limitation or avoidance under the Unfair Contract Terms Act.

ROYALTIES AND OTHER PAYMENTS, CURRENCY CONVERSION AND TAXES

Relevant legislation

- 23 | 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.

Restrictions

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

There are rules and restrictions on international transfer and remittance of currency, with the regulations in this regard set and 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 permission from the Bank of Thailand. Financial institutions handling such transfer or remittance are subject to regulatory reporting requirements.

Taxation of foreign licensor

25 | 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, the 15 per cent withholding tax may be reduced to lower amounts.

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 are 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)).

Also, value-added tax is imposed on the 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

Restrictions on trade

26 | 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 amended in 2017 and the new Act came 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), overseas agreements 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 to restrict or impede the business operation of others.

Legal restrictions

27 | 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 intellectual property, 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 regarding internet sales prohibitions and grant-back provisions. Thus, the general trade competition law applies.

IP-related court rulings

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

No.

INDEMNIFICATION, DISCLAIMERS OF LIABILITY, DAMAGES AND LIMITATION OF DAMAGES

Indemnification provisions

29 | 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.

Waivers and limitations

30 | 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**Right to terminate**

- 31 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 by the parties in the licence agreement or other agreement.

Impact of termination

- 32 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, for example, to allow the sub-licence to continue thereafter (often under certain conditions).

BANKRUPTCY**Impact of licensee bankruptcy**

- 33 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 (given that the bankruptcy is certain) or upon the licensee's bankruptcy and remove the licensee's rights. Such clauses are generally enforceable in Thailand.

Impact of licensor bankruptcy

- 34 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 (given that the bankruptcy is certain) 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**Restrictions on governing law**

- 35 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.

Contractual agreement to arbitration

- 36 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 – such as carveouts for preliminary injunctive relief before courts of any competent jurisdiction (particularly regarding intellectual property or confidentiality breaches).

Enforceability

- 37 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. However, unlike foreign judgments, foreign arbitral awards are recognised and directly enforceable in Thailand under the United Nations Convention on the Recognition and Enforcement of Foreign Arbitral Awards 1958, to which Thailand is a party.

Injunctive relief

- 38 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. However, 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 a waiver would likely exclude the arbitral tribunal's jurisdiction to adjudicate the specified damages claims.

UPDATES & TRENDS**Key developments of the past year**

- 39 | Please identify any recent developments in laws or regulations, or any landmark cases, that have (or are expected to have) a notable impact on licensing agreements in your jurisdiction (including any significant proposals for new legislation or regulations, even if not yet adopted). Explain briefly how licensing agreements might be affected.

Thailand's Patent Act currently requires registration of a licence of registered Thai patents; otherwise, the patent licence is deemed void and hence unenforceable under Thai law. There is a pending draft that will result in an amended Patent Act, and this will likely eliminate this requirement and replace it with a patent licence recordation procedure. According to the draft legislation, a patent licence that has not been recorded with the Thai Patent Office would still be enforceable between the contracting parties; however, regarding a third party, the patent licence must be recorded with the Thai Patent Office to be enforceable.

Coronavirus

- 40 | What emergency legislation, relief programmes and other initiatives specific to your practice area has your state implemented to address the pandemic? Have any existing government programmes, laws or regulations been amended to address these concerns? What best practices are advisable for clients?

There is no emergency legislation or relief programmes specific to the licensing of intellectual property.

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