

**Report Q203**

in the name of the Thai Group  
by Say SUJINTAYA

**Damages for infringement, counterfeiting and piracy of Trademarks**

**Questions**

**1) The state of the substantive law in the countries**

- 1) *The Groups are invited to indicate, in summary form, if their national law distinguishes between different kinds of infringement, counterfeiting and piracy of trademarks and what the conditions are for liability for those different kinds of infringement, counterfeiting and piracy.*

There are 3 main Thai laws which are related to Trademark matters. They are the Thai Trademark Act, the Thai Penal Code and the Civil and Commercial Code.

- 1) The Thai Trademark Act – The Thai Trademark Act provides the exclusive right to the owner of a registered mark to use the mark in relation to goods/services for which registration had been granted. The Act also provides penalties for different kinds of infringement such as counterfeiting and imitation. There are also penalties for importation and offering for distribution goods bearing counterfeit/imitation trade/service marks.
- 2) The Thai Penal Code – Section 272 provides criminal sanctions for the person who uses other person's business name, marks/trademark (not registered in Thailand) with the intention of misleading public. In order to successfully take action based on this provision, a finding that the business name/trademarks were exactly copied with the intent to mislead the public is required.
- 3) The Civil and Commercial Code – The Civil and Commercial Code enables an injured party to claim monetary compensation based on trademark infringement (provisions regarding wrongful act). Some of the provisions may also apply for protection against passing off.

*The Groups are also invited to indicate if these various forms of the violation of trademark rights have an impact on the monetary compensation to be provided to the trademark owner.*

The various forms of violation have no real impact on monetary compensation awarded to the trademark owner. Compensation or damages are based solely on actual provable damages.

- 2) *The Groups are asked to present in a summarised form the legal theories in their respective jurisdictions for the assessment of damages for the violation of trademark rights.*

*Is this assessment based on the ground of civil liability or on the ground of violation of property ownership or some other ground(s)?*

The Thai Trademark Act does not have provisions regarding the assessment of compensation. The Court has to adopt the principle from the Civil and Commercial Code which only

provides that the Court has absolute discretion in determining the amount of compensation by considering the circumstances and gravity of such act. In granting such compensation, Thai Court will only consider damages that arose directly from the infringement. Therefore, Thai Court grants compensation based on the actual damages which the injured party suffered. It is also the burden of proof of the injured party to satisfy the Court with the evidence that shows that they have suffered from the infringement.

3) *The Groups are asked to indicate what factors are taken into account in the assessment of damages and how the value of the trademark is used in this assessment.*

a) *Do the Courts take into consideration how strong the trademark is, both in terms of its inherent distinctiveness and popularity acquired through use and publicity?*

The strength and popularity of the trademark by itself is not taken into consideration when assessing damages. However, if it can be shown that the strength or popularity have been damaged in monetary terms, the Court would award damages in this regard.

b) *Do the Courts take into consideration the investment made by the trademark owner in order to make the trade mark known?*

No. Trademark owner's investment to make the trademark known will not be deemed as actual damages.

c) *Do the Courts consider what direct effect the infringing activity has had on the trademark proprietors' profitability? If so, how?*

The Court would consider the direct effect of the infringing activity on the trademark proprietors' profitability if he/she can successfully convince the Court that his/her profitability suffered directly from the infringement.

d) *Do the Courts take into account price erosion? If so, how?*

Even though price erosion has not been tested in Thai Court, the injured party can claim erosion if he/she can link it to the actual damages.

e) *Do the Courts distinguish between actual lost sales ( i.e; the sales which would otherwise have been made by the trademark owner) and all sales made by the infringer? If so, which sales matter?*

Thai Court will consider both actual lost sales and sales made by the infringer. Actual lost sales would matter more than sales made by the infringer.

f) *Do the Courts treat parallel imports differently? If so, what is the legal basis for this differentiation?*

Although there is dissension as to whether parallel import is illegal, based on the decision of the IPIT Court, upheld by the Supreme Court, the parallel import of trademarked goods without the permission of the trademark owner is lawful in Thailand. The supreme Court ruled that even though the trademark owner has the exclusive right to use its mark, nevertheless, once the trademark owner has sold its goods under the mark, such exclusive right was exhausted by the sale. Thus, the trademark owner has no further right to prevent the purchaser from further selling such goods that it had legitimately purchased.

4) *In case the compensation is evaluated on the basis of lost profits of the trademark owner or an account of the profits arising from infringement:*

a) *What are the key principles?*

Thailand does not have clear criteria on evaluation of lost profits or account of profits. However, if the injured party can prove that the lost profits or an account of profits were

a direct result of the infringement, the Court would accept it in assessing damages. However, based on some precedents, although there have been many attempts by plaintiffs prove that lost profits occurred from the infringement, the Court ruled that the evidence provided was not sufficient to award the damages. Furthermore, the Court did not set out any criteria to say what would be sufficient.

b) *How are the profits defined and how are they calculated?*

Generally, the profits should be calculated from the price minus manufacturing cost of the genuine products that injured party was unable to sell.

c) *What shares of the profits are attributed to the trademark owner and any licensees?*

The trademark owner may claim for the royalty and the licensees may claimed for lost of profits.

d) *Does the strength of the trademark come into play in apportioning the profits?*

No. The strength of the trademark has no bearing in apportioning the profits.

5) *In case the monetary compensation is assessed on basis of a royalty,*

a) *How is the royalty rate fixed?*

Even though royalty is one factor that the injured party can provide to the Court in order to assess the damages, there are no precedents/guidelines for assessing monetary compensation based on royalty.

b) *Do the Courts consider whether the mark in question is one which is or was available for licence? If so, how does this affect their analysis?*

No, the Court does not consider whether the mark is one which is or was available for license.

6) *The Groups are asked to summarise what information in relation to the unlawful activities causing the violation of the trademark can be obtained by the trademark owner in administrative or judicial proceedings in order to assess the level of monetary compensation.*

In Thailand, there are no punitive damages involved in trademark infringement cases. Therefore, unlawful activities by the infringer would not have any relevance to the amount of damages.

7) *One of the forms of the prejudice suffered by the trademark owner through the infringement is the damage to the trademark in a reputational sense (diluting exclusivity). The Groups are invited to report if this form of prejudice is considered by the Courts and what are the factors that are used in their evaluation?*

In the event that the injured party is able to illustrate the loss of reputation has occurred directly from the infringement, the Court may use it as a factor for assessing the damages. However, as loss of reputation is quite abstract, it is particularly difficult to prove in monetary terms.

8) *The Groups are also asked to indicate if the moral/wilful element of the violation of a trademark right, and particularly the will to profit or gain from counterfeit activities (where the goods do not originate from the trademark proprietor or are not marked with his consent) is taken into consideration in the evaluation of the damages and/or the account of profits.*

The Court would not take the moral/willful element of the infringement into consideration in assessing the damages. The Court would only accept the actual provable damages.

*If so, what are the consequences?*

N/A.

*The Groups are also asked to indicate if ignorance of the trademark and/or ignorance of the infringement is taken into consideration in the evaluation of damages or the account of the profits.*

No, the Court does not take ignorance of the trademark and/or ignorance of the infringer into consideration in evaluation of damages.

*Finally, is the scale of the counterfeiting or piracy an additional element which influences the assessment of damages and/or account of the profits? If so, what are the consequences?*

As the scale of counterfeiting/piracy activities of the infringer would reflect the actual damages, it can be used to assess the damages.

- 9) *Is the evaluation of damages based on the same principles in cases where the infringement also constitutes a violation of a contractual obligation, for example, a violation of a licence?*

Yes. The evaluation of damages on cases of trademark infringement and violation of license are based on the same principles, that is, actual provable damages. Both injured parties have to prove to the Court that actual damages have occurred directly from the infringement and the breach of the license.

- 10) *The Groups are also invited to explain the problems and practical difficulties that the trademark owners face in the assessment of the damages and/or account of the profits for the violation of trademark rights?*

As it is the burden of the injured party to prove to the Court that they suffered from the infringement, it is very difficult for the injured party to prove actual damages. In general, the injured party has to specify in the complaint the amount of compensation they wish to claim as damages. Subsequently, such injured party has to convince the Court that the amount of compensation was directly derived from the damage caused by the infringement. If claimed evidence is insufficient, the Court will not allow the injured party to claim for such damages. Nevertheless, if the injured party successfully convinced the Court that damages occurred (for example; loss of profit) but was unable to show the Court how they calculated such compensation, instead, the Court would use its own discretion in assessing the appropriate compensation for the injured party. In most cases, the amount of compensation awarded is lower than the compensation initially claimed.

In addition, as Thai Court has limited precedents and guidelines in evaluation of monetary compensation, trademark owners do not have clear directions to follow in order to provide the Court with evidence which illustrates that they suffered damages from infringement.

- 11) *In some cases the national law may provide, as a remedy for the violation of the trademark right, for the confiscation of the products bearing the illicit sign.*

*If this applies in their national law, the Groups are asked to indicate, if this confiscation influences the evaluation of the damages.*

Confiscation of products is applicable in Thailand. However, it has no bearing on the evaluation of damages.

- 12) *The Groups are asked to indicate if the jurisprudence in their countries is a useful source of information and comparison on the assessment of monetary compensation for the violation of the trademark rights.*

In Thailand, some Court precedents may be used as a guideline/standard in order to assess monetary compensation. However, as Thailand uses the civil law system, these precedents are only persuasive authorities and, thus, would not bind the Court.

*In this context, the Groups are invited to indicate if they are satisfied with the degree of certainty in their laws on evaluation of the compensation.*

As discussed earlier, the burden of proof on the injured party is overwhelming and unfair. For this reason, very few civil suits are brought in infringement cases. Injured parties usually rely on criminal action and the imposition of criminal penalties on infringers. However, the fines paid by the infringer do not go to the trademark owners.

Therefore, because of the current system, rights owners focus more on stopping the infringement rather than seeking compensation for damages.

- 13) *The Groups are finally asked to explain any other issues related to the topic which would appear useful in the examination of the question.*

N/A.

## **II) Proposals for the future harmonisation**

- 1) *The Groups are requested to indicate if the evaluation of damages for violation of the trademark rights should be the subject of the international harmonisation and if this harmonisation should be undertaken through an international treaty.*

As Thai Court uses its own discretion in order to assess the monetary compensation based on the circumstances and gravity of the infringement, there are no clear criteria/directions which would provide a guideline for trademark owners to follow in order to claim for damages. As such, international harmonisation by way of international treaty would help Thai Courts to adopt a more practical way of assessing the monetary compensation.

- 2) *The Groups are requested to indicate what should be, based on their national experience, the harmonised system for the evaluation of damages for violation of the trademark rights.*

We do not have any experience since Thai Court's assessment of actual damages is too conservative.

- 3) *The Groups are invited to make any other suggestions about possible future developments of the present question.*

No.

## **Summary**

While Thailand's Trademark Act provides exclusive rights to the owner of a registered mark, it does not contain any provisions regarding the assessment of compensation. As a result, to assess monetary compensation, Thai Courts have had to rely on the principles of the Civil and Commercial Code, which only allow for compensation to be awarded where actual damages can be proven by an injured party.

However, in establishing sufficient proof, there are no clear criteria for a trademark owner to follow. With the burden being on the injured party to provide the Court with sufficient evidence to show that it has suffered from the infringement, this means that actual damages are very difficult to prove. While court precedents may be relied on, Thailand's civil law system means that these precedents are regarded as persuasive authorities only and a Court is not bound to follow them.

Based on our review of a large number of previous decisions by the Courts, we are of the view that a Thai Court is only likely to grant damages in a trademark infringement case if the injured party is able to provide sufficient evidence to the Court that damages have occurred. It appears, however, that the Courts have generally regarded the evidence provided as insufficient to justify the awarding of damages.

Given the overwhelming and unfair burden of proof on an injured party and the lack of clear criteria for an injured party to follow in satisfying that burden, the need to provide Thai Courts and injured parties with assistance in the assessment of damages is evident. International harmonization, i.e. a treaty, would assist by establishing guidelines for the assessment of monetary compensation in trademark infringement cases and would provide the necessary support for Thai Courts to take a more practical approach to the assessment of damages.