

PRACTICAL PROBLEMS IN THE IMPLEMENTATION OF SECTIONS 308 AND 309 OF THE THAI CIVIL PROCEDURE CODE^{*}

Ekasit Suttawat

Master of Laws in Business Laws (English Program)

Faculty of Law, Thammasat University

Email address: ekasit_s@live.com

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Abstract

This article examines the practical problems in the implementation of sections 308 and 309 of the Thai Civil Procedure Code (CPC), as amended by the Act Amending the Civil Procedure Code (No. 30) B.E. 2560 (2017) that repealed and replaced “Title II – Execution of Judgments or Orders” in its entirety. The new law brought legal enforcement against intellectual property (IP) and intellectual property rights (IPR) into light by recognizing the same under the newly enacted provisions. Despite this, it transpired that the new sections 308 and 309 CPC, as well as the relevant provisions under Title II, are inadequate to tackle the problems identified. Such problems include, *inter alia*, an attempt to locate IP and IPR that have no physical form, the court that truly has jurisdiction to oversee the execution process against IP and IPR, price valuation and sale, as well as a licensing agreement that might have been existed and attached to the IP and IPR, or the goods associated to or bearing trademark or tradename of the judgment debtor. Because of the foregoing, this article then applies a comparative study to examine how other countries, in which the enforcement against IP and IPR has already been in force, may solve the issues. In this regard, UK law on

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the legal execution of judgment against IP and IPR will be studied and used comparatively to provide the possible improvements and/or solutions to the implementation of sections 308 and 309 CPC. UK law is chosen due to its long establishment of legal concepts in the execution of judgment against IP Rights and the number of cases available for comparative study. The analysis shows that UK law provides more flexibility in terms of power of the courts to supervise the enforcement process and an appointment of a receiver with broader authorities to handle the collection and disposal of IP and IPR to the best interest of all parties. This can be adopted into Thailand by amending the relevant provisions in the CPC.

Keywords: Practical Problems, Implementation, Legal Execution, Intellectual Property, Intellectual Property Rights, Section 308, Section 309, Civil Procedure Code

1. Introduction

On 5 September 2017, the Act Amending the Civil Procedure Code (No. 30) B.E. 2560 (2017) (“**Act**”) came into force.

Among other amendments, the Act repeals “Title II – Execution of Judgments or Orders” in its entirety and replaces the same with an improved version. The grounds for promulgation of the Act are to ensure that the law relating to the execution of judgments and orders is suitable for the present economic and social circumstances and to try expediting the then time-consuming and regularly delayed legal execution process.¹

The Act includes, *inter alia*, the recognition of legal execution against a judgment debtor’s IP and IPR (collectively “**IP Rights**”) and the rights of similar nature or relating to the IP Rights.

Despite the visionary movement, this development merely touches the surface of the problem by recognizing, under the general principle of law, that IP Rights are intangible assets that (i) have commercial value; (ii) could be appropriated; and (iii) could also be the subject of legal execution.

Specifically, the Act deploys the brand new sections 308 and 309, which endorse a judgment creditor’s right to seize a judgment debtor’s patent, right to apply for patent, registered and unregistered trademarks, copyright, tradename or brand, and other related rights or the rights of similar nature, for further liquidation through public auction. These sections do not however prescribe the details on how to proceed with the legal execution against IP Rights through to the end of the process.

The lack of clear directives has led to the practical problems on, among other things, an attempt to locate the IP Rights, the court that has jurisdiction to oversee the execution process, price valuation and sale, as well as a licensing agreement that might have been existed and attached to the IP Rights, or the goods associated to, or bearing trademark or tradename of, the judgment debtor.

¹ Act Amending the Civil Procedure Code (No. 30) B.E. 2560 (2017).

This article will focus on the above practical problems and how to improve the same.

UK law on the legal execution of judgment will be comparatively relied upon to provide the possible improvements and/or solutions to the implementation of sections 308 and 309 CPC.

2. Sections 308 and 309 CPC

Section 308 CPC is designed for the seizure of the registered IP Rights, e.g. patents, trademarks, or any other associated rights and the rights of similar nature. This can be done by way of notifying the judgment debtor of the registered IP rights that have been seized and thereafter have a registrar or other competent official puts such seizure on the official record.

Unlike section 308, section 309 is designed to cope with the seizure of unregistered IP Rights, e.g. unregistered trademarks, copyright, rights to apply for a patent, tradename or brand, trade secrets, and any other associated rights and the rights of similar nature.

The seizure of unregistered IP Rights can be done by way of notifying the judgment debtor without the need to involve a registrar or any other official, given that there is no official record to be updated.

3. Practical problems in the implementation of sections 308 and 309 CPC (comparing to the laws of the United Kingdom)

To apply the new sections 308 and 309 CPC, there are a few issues that need to be addressed. These issues are, in the Author's opinion, keys to further development of the two provisions and the legal execution against IP Rights.

3.1. Jurisdiction of enforcement

In Thailand, the court that has power to determine the execution measures, decide, or issue an order on the matters relating to the execution of judgment, is the court that has tried the case in the first instance.²

As Thailand only allows registered and unregistered IP Rights to be seized and sold through public auction, it is therefore important for the judgment creditors to know their whereabouts in order to try enforcing the judgments. Nonetheless, IP Rights does not have physical form, so it would be difficult to determine the territorial jurisdiction within which the judgment creditors may start the legal execution of their judgments.

Given that IP Rights are territorial in nature, it may follow that any court in any jurisdiction within the Kingdom shall have the power to enforce a judgment against IP Rights. However, the relevant courts and especially the executing officers may be hesitant to act, given the unclear concept as to which court should have power to proceed with the legal execution against these intangible assets.

Further, the issue will be elevated if there is a question whether the judgment debtor is the true owner of the IP Rights seized. In such event, a separate trial will be required to determine the true ownership before the execution process may continue.³

Assuming we adopt the concept of the place of registration, the enforcement of IP Rights must then be carried out in the Nonthaburi Provincial Court, in which jurisdiction the DIP is headquartered. This may create legal anomaly over the execution of judgment against IP Rights and it should not have been the purpose of sections 308 and 309 CPC to increase the workload of the Nonthaburi Provincial Court that has no expertise or legitimate power under the law to try IP and IP-related cases.⁴

² CPC, s 271.

³ CPC, s 323.

⁴ Faculty of Law, Ramkhamhaeng University, ‘Execution of Judgment on Intellectual Property Litigation’, 2019, p 107.

In the UK, an execution of judgment against sophisticated matters like IP Rights may be handled specifically by a court-appointed receiver under the directions to be determined by the court on a case by case basis.

3.2. Price valuation and sale

Under Thai law, a judgment creditor must not seize or attach a judgment debtor's properties or claims more than what is sufficient to secure the performance of the judgment debt and the costs and expenses of the execution process.⁵

Following seizure, the seized property will be sold at a public auction under the supervision of the LED.⁶

The above procedures apply also to IP Rights as Thailand does not have any specific procedures in place to cope with the seizure and sale of intangible assets. This creates problems both in terms of IP valuation and how should the judgment creditors enforce their judgments against high value copyright, patents, trademarks, or brand that worth way beyond the outstanding debts.

Thailand still has no government agency capable of IP valuation. Following issuance of the Business Security Act, certain IP Rights have now been evaluated by the private sector and placed as security.⁷ Despite this, the capability to perform IP valuation in Thailand is still relatively limited and should, as a priority for the purposes of improvement, be professionalized and/or made accessible to a wider public.

In the UK, the values of IP Rights are to be proposed by the judgment creditor who applies for an appointment of a receiver, together

⁵ CPC, s 300.

⁶ CPC, s 331.

⁷ Thitiporn Wattanachai and others, Krong Wijai Gaan Bang Khap Khadee Gap Supsin Thaang Panya [Execution of Judgment on Intellectual Property Litigation] (Faculty of Law, Ramkhamhaeng University 2019) (ธิติพร วัฒนาชัย, กิตติยา พฤกษารุ่งเรืองและคณะ, โครงวิจัยการบังคับคดีกับทรัพย์สินทางปัญญา (คณานิตศาสตร์ มหาวิทยาลัยรามคำแหง 2562)), 88..

with the amount of income such appointment is likely to produce or otherwise obtained.⁸

To come up with the initial price, there are a number of valuation companies that are well-known in the IP valuation market. There are also several international standards for IP valuation, such as ISO 10668, DIN77100, Georgia Pacific Factors and Austrian Standard Institute standards ONORM A6800 & A6801, that can be chosen.

Despite the remarkable standard and reliability, IP valuation in the UK has never been the only solution to the execution of judgment against IP Rights. Apart from the broad spectrum of authority vested in a court-appointed receiver, UK insolvency and corporate laws also allow the relevant officials to collect payment from royalty or licensing fee, or to give license in exchange for a licensing fee, or in case of security, to foreclose the secured IP Rights in lieu of payment.⁹ These alternatives provide great flexibility to the execution of judgment against IP Rights and set aside the issues as to the IP valuation. Besides, they may also remove the constraint regarding the proportion between the value of assets and the amount of outstanding debt under the judgment.

3.3. Licensing agreement and associated goods

Under the current law, there is no provision to handle the licensing agreements that might have been existed and attached to the IP Rights.

To the extent that the CPC is concerned, a party to any such licensing agreements may be deemed an interested party in the enforcement procedure¹⁰ and the rights of that party shall not be affected by the ongoing legal execution.¹¹

Considering that the current legislation merely gives authority to the judgment creditor to attach a claim the judgment debtor may have against

⁸ CPR, Rule 69.3.

⁹ Thitiporn Wattanachai and others (n 7) 58-62.

¹⁰ CPC, s 287 (2), (4) and (5).

¹¹ CPC, s 322.

a third party,¹² it is accordingly understandable that the substance of the pre-existing arrangements would not be affected and the only increased burden would have been a direct payment the third party shall make to the court, the executing officer, or any other person designated by the court as opposed to the original payee specified in the agreement.

From the practical aspect, however, the sale of IP Rights may prove to be relatively difficult, considering that the buyer of such IP Rights will inevitably be forced to undertake the contractual obligations under the licensing agreement in lieu of the judgment debtor after purchase.

Moreover, the price of such IP Rights may be reduced significantly owing to the existence of the licensing agreement.

In the circumstances, the only purpose of legal execution, which is to get the most out of the properties sold, may not be achieved.

The UK's legal concept we may relied upon to improve the Thai legislation lies in the Insolvency Act 1986 ("**Insolvency Act**").¹³

With respect to licensing agreement, the UK insolvency law does not provide that the licensing agreement will be ended automatically upon the company entering liquidation. It follows that the parties shall continue to honor the terms and conditions of the licensing agreement pending the liquidation process. Nonetheless, the liquidator may choose to disclaim onerous property, such as a licensing agreement with disproportionate or inappropriate royalty or licensing fee. In addition, the liquidator can also disclaim an agreement which may incur more liabilities rather than rights, or that which may not be favorable or advantageous to the company.¹⁴

In this regard, a person sustaining loss or damage from the disclaimer will be deemed a creditor to the extent of that loss or damage and allowed to prove the quantum of the same in the liquidation process.¹⁵

¹² CPC, s 316.

¹³ Thitiporn Wattanachai and others (n 7) 137. 7

¹⁴ ibid 137.

¹⁵ Insolvency Act, s 178.

Further, another party to the licensing agreement, who is entitled reciprocally to the benefits or subject to the burdens of such agreement, may voluntarily request that the court rescinds the licensing agreement and claim for damages based on non-performance by the company in liquidation.¹⁶

The above applies also to the bankruptcy proceedings administered by a trustee.¹⁷

Given that UK law does not provide a specific period for a liquidator or a trustee to disclaim a contract, an interested party is therefore entitled to make a written request for the liquidator or trustee, as the case may be, to make a decision within 28 days following receipt of the request or any other period that may from time to time be fixed by the court.¹⁸

The agreement will be deemed accepted and the disclaimer can no longer be made after expiry of the specified period.¹⁹

It should be noted that the interested parties who can submit a written request do not include the debtor whose interests had already been transferred to the liquidator or trustee.²⁰

From the Author's research, UK law does not appear to mention how the judgment creditor or receiver should handle the associated goods, such as books bearing copyrighted contents or the products made by a patented process or those carrying the brand which is the subject of the legal execution. Nonetheless, it is conceivable under the general principle of law that any such tangible assets shall not be sold or otherwise transferred together with the IP Rights to which they are attached.

¹⁶ Insolvency Act, s 186.

¹⁷ Insolvency Act, s 315.

¹⁸ Thitiporn Wattanachai and others (n 7) 140.

¹⁹ Insolvency Act, s 178 and 316.

²⁰ *ibid*; *Frosdick v Fox* [2017] EWHC 1737 (Ch): disclaimer and strike out.

4. Conclusion and recommendations

Given the above-mentioned problems and the applicable UK laws on the legal execution of judgment against IP Rights, the Author sets out below the conclusions and recommendations on how Thai law may be amended to address the issues identified.

4.1. Conclusion

In conclusion, the research has shown that tangible and intangible assets are essentially different. While the conventional mode of enforcement, i.e. the seizure and sale of properties at a public auction, may fit for tangible properties we can determine their whereabouts and assess the current conditions to fix appropriate selling prices, the same process would turn to be difficult when it comes to the enforcement against intangible properties like IP Rights.

In the UK, alternative procedures are available for the judgment creditors to enforce their judgments against IP Rights by requesting that a receiver be appointed.

Following appointment, the receiver will then start gathering assets of the judgment debtor to satisfy the judgment and, in case of IP Rights, seize and sell, manage, collect benefits from the use of the IP Rights seized or to give license.

In a bankruptcy case, an interested party may have a liquidator disclaims onerous licensing agreement and compensates a party sustaining loss or damage from the disclamation, using the funds received from the enforcement process without the need for that party to initiate a new lawsuit.

Thailand, on the contrary, does not have any measure to tackle the issues regarding the execution of judgment against IP Rights. This makes the judgment creditors and the executing officers hesitant to act, given that their effort may eventually be nothing but an unprofitable investment.

Assuming there is a judgment creditor who chooses to act, such creditor may face the practical problems as to the jurisdictional challenge,

price valuation and sale, licensing agreement that might have been existed and attached to the IP Rights seized, or the issues with the associated goods which, although they may pose no real legal threat, could still be raised in an attempt to ‘throw a spanner in the wheels’ and try delaying the legal execution process.

In fact, there has been no real enforcement against IP Rights in Thailand but a number of failed attempts.²¹

To try solving the problems identified, the Author sets out below the recommendations on how we may improve the current law by adopting the UK legal concept in this matter.

4.2. Recommendations

4.2.1. Improvement on the jurisdictional issues

Although the current law provides that the court which tried the case in the first instance is the court with jurisdiction and power to proceed with legal execution, the said court may not understand the sophisticated nature of IP Rights and as such cannot find constructive solution to the matter. Further, the relevant officers may also be hesitant to act, considering the law is silent on how they should proceed with the legal execution of judgment against IP Rights.

In light of the above, we should consider allowing the judgment creditor, executing officer, or the court that tried the case in the first instance, if it sees fit, to request that the IPIT Court (i) enforces payment against IP Rights and (ii) tries a case concerning the true ownership initiated in accordance with Section 323 CPC.²²

If there seems to be an issue whether the first court would grant the request or being proactive in seeking the IPIT Court’s assistance, we may consider skipping the said voluntary process and vest in the IPIT Court the

²¹ Thitiporn Wattanachai and others (n 7) 187.

²² Section 323 CPC concerns “intervention”.

exclusive jurisdiction and power over the matters to avoid further arguments.

Granting the IPIT Court the exclusive jurisdiction and power appears to be a reasonable movement, considering that the protection of IP Rights are territorial in nature and the IPIT Court is now the only court in Thailand that has power and expertise to try IP and IP-related cases.²³

The proposed improvement could be done by way of further amendment to the CPC or, if such amendment would be difficult to achieve or does not suit the purpose of the CPC being the overarching law as opposed to a detailed operational guideline, an amendment to the IPIT Procedure Act to include the cross-jurisdictional enforcement power should suffice.

Considering that section 271 CPC, which is the general provision on legal enforcement, is already open for a specific law to kick in and determine the court with competence to oversee the legal execution process,²⁴ the easiest way may be to amend section 7 of the IPIT Procedure Act by incorporating a new subsection, as subsection (12), to give the IPIT Court the exclusive power and jurisdiction over the matters.

Once the IPIT Court has power to proceed, it can then issue subordinate rules to facilitate the cross-jurisdictional enforcement.

4.2.2. Improvement on the price valuation and sale

To enforce a judgment against IP Rights, price valuation is one of the key elements that cannot be avoided.

²³ Thitiporn Wattanachai and others (n 7) 185.

²⁴ CPC, Section 271 (paragraph 1) provides “The court competent in the execution, which has the competence to determine execution measures under section 276 and has the competence to make a decision or issue an order on any matter relating to the execution of a judgment or an order, is the court which has tried and adjudicated the case in the first instance or as provided by law.” [emphasis added]

In the UK, IP valuation has been professionalized and an acceptable standard for IP valuation will be applied to ensure the consistency and reliability of the result.

In Thailand, the government agency that currently oversees IP and IP-related matters is the DIP. Nonetheless, the DIP's scope of authorities does not cover IP valuation for the purposes of legal execution. We also have no other regulatory agency capable of doing so -- not even the LED which is responsible for the valuation and sale of properties as part of the legal execution process.

Presently, IP Rights are starting to be evaluated by private sector and placed as security under the Business Security Act. This applies also to the execution of judgments against listed securities under the Securities and Exchange Act B.E. 2535 (1992), of which prices will be evaluated by the SEC-certified private companies.²⁵

That being said, it may be prudent for Thailand to allow private sector like the Valuers Association of Thailand, the Thai Valuers Association, or any other certified professionals, to carry out IP valuation in Thailand using an acceptable international standard or a standard to be prescribed by a competent authority.

With respect to the sale of IP Rights, the current law should be amended to include the alternative, court-supervised, enforcement procedures. This may include an appointment of a manager to seize, sell or otherwise manage the IP Rights that has potential to generate income, as well as to give license and collect future payments for a period sufficient to cover the judgment debt and the management fees.

In doing so, we may consider adding new paragraphs into the now existing section 336 CPC, adopting the wordings used in section 73 of the Business Security Act to make it clear that section 336 CPC applies also to the legal execution of judgment against IP Rights and clarify the extent to which a manager may perform.

²⁵ Thitiporn Wattanachai and others (n 7) 188.

Any such appointment and the subsequent actions of the manager should be subject to review by, and follow the directions from, the court. This is to ensure there are adequate ‘checks and balances’ in the activities to be done following appointment.

4.2.3. Improvement on the licensing agreement-related matters

After all, the main purpose of legal execution is to try liquidating the assets of the judgment debtors at the highest price possible to satisfy the judgment debts. Given that the current law only allows the seizure and sale of intangible assets through public auction, the merchantability and price of the same will depend significantly on their status and the benefits the buyer would gain from the purchase. For this reason, intangible assets with burdens will be harder to sell and, in any event, the prices will be relatively low.

In this regard, we may amend the law by allowing a judgment creditor and the other interested parties, e.g. another contracting party or a third party who will be affected by the non-performance of the licensing agreement entered for the IP Rights seized, to propose whether and how the pre-existing arrangement should be dealt with.

In doing so, we may include the definition of “onerous property” in the CPC and allow the said parties to request that the court continues or disclaims the onerous agreement attached to the IP Rights.

If the agreement is disclaimed, the affected party should have a right to prove the loss or damage sustained. After which, the proven amount should be deemed a judgment debt, allowing such party to enforce the same as an immediate remedy without the need to initiate a new lawsuit.

A disclaimer, if any, should be made within a fixed period of 30 to 60 days after the date on which the licensing agreement is known to the judgment creditor or a party that may be affected by the result of the disclaimation.

In the process, the court may hear the judgment debtor’s comments before giving order. The judgment debtor’s involvement should however be

limited only to provide comments but not to choose whether the licensing agreement should be disclaimed. This is to avoid further issues as to the conflict of interest and a potential conspiracy between the judgment debtor and another contracting party in their attempt to cause delay or damage to the judgment creditor.

The order must take effect as from the date of issuance and not in any way be retroactive.

Further, although the issues are minor, it should be clear that any goods associated to the IP Rights seized are not the subject of legal enforcement against such IP Rights.

It is also important for the legislative body to contemplate the other issues, e.g. execution of judgment against securities under the law on securities and exchange,²⁶ bill or any other negotiable instrument,²⁷ shares in a limited partnership or company²⁸ or any other rights the judgment debtor may have against a third party²⁹ in order to make a constructive improvement and come up with a more comprehensive provision, addressing also the other issues which are not included in the scope of legal enforcement against IP Rights, but have or may nevertheless come to light.

²⁶ CPC, s 305.

²⁷ CPC, s 306.

²⁸ CPC, s 307.

²⁹ CPC, s 310 and 311.

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