

## What strategies to reclaim unregistered trademark rights in Vietnam ?

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### Introduction

Vietnam follows "first to file" principle in establishing industrial property rights, whereby industrial property rights are granted to the first filer. This principle, on one hand, encourages IPR holders to register their intangible assets at the soonest time, but on the other hand, together with a "very open" and "very free" regime on "the right to register a mark" without imposing certain conditions like many countries in the world triggers rampant "trademark squatting" in Vietnam.

Trademark squatting is deemed a trick which is easier and more profitable than "domain name squatting" because if a squatter registers a trademark of a legitimate trademark owner as a national domain name (e.g. .vn, .com.vn) or international domain name (e.g. .com), the legitimate trademark owner still has opportunities to switch to register domain names containing his trademark with other international domain names (e.g. .net, .asia, etc.) to commercialize their products/services in Vietnam. However, if a trademark of a legitimate trademark owner is illegally registered by a professional speculator or a third party in Vietnam, the story will be very different from losing the domain name. Your trademark rights falling into the hands of a squatter means that your goods circulating on the marketplace are illegal and face the risk of being seized by Vietnamese authorities in the market or at customs authority; you can expose yourself to numerous legal risks, including severe administrative, civil, and even criminal sanctions if a third party brings a legal action against you. The purpose of a third party is to force you to either negotiate the purchase of your own brand or to exit the Vietnamese market - where you had high hopes of developing a successful business and making profits in this S-shaped country.

Winning a trademark opposition when a third party files a trademark application that is identical to an unregistered trademark of a legitimate owner in Vietnam is never an easy battle. Many brand owners have been forced to bitterly accept the purchase of their own brands at astronomical prices as a result of pressure and a few aggressive tricks by professional squatters.

Lawyers and associates of KENFOX IP & Law Office, with extensive and diverse practical knowledge and experience, have provided consultancy, represented and regained the trademark rights for Eveline Cosmetics - one of Poland's leading prestigious cosmetic businesses in a trademark dispute in Vietnam.

### Background:

The case started when Eveline Cosmetics learned that an individual in Hanoi, Vietnam had applied for a trademark registration "" for a wide range of cosmetic products in Class 03. This trademark is entirely identical with that of Eveline Cosmetics. Cosmetics and is under substantive examination to be granted trademark registration certificate in Vietnam.

Eveline Cosmetics is one of the Polish companies which engages in manufacturing a wide range of makeup, facial and body care products. Founded in 1983, the company's products are now available in more than 70 countries around the world. Eveline Cosmetics is the sole and legitimate owner of the EVELINE trademark and many other trademarks associated with "EVELINE" (independent or combined with other elements) for the goods in Class 03 in Poland. The trademark "EVELINE COSMETICS" has been registered in many countries around the world such as Poland, US, China, Russia, Hongkong, Taiwan, etc.

In 2008, "EVELINE COSMETICS" cosmetic products were imported into Vietnam for the first time. Thanks to its attaching importance on improving product quality, maintaining a reasonable price, and grasping consumer trends, "EVELINE COSMETICS" products quickly gained attention and confidence of Vietnamese consumers. Products have been present at many cosmetic counters, shops, and professional beauty salons in Vietnam.

Ironically, not long after establishing business operations in Vietnam, Eveline Cosmetics discovered that an individual named "Cao Thanh Hai" had applied to register the mark "EVELINE COSMETICS" in Hanoi, which is virtually identical to Eveline Cosmetics' trademark.

If the applicant is granted protection, Eveline Cosmetics will undoubtedly face numerous legal difficulties and risks, as the applicant appears to have filed various trademark applications for registration of other reputables of others in addition to the trademark "EVELINE COSMETICS". This is a clear indication of brand speculation for the purpose of illicit profit.

#### **Actions and Outcomes:**

After reviewing, analyzing, and evaluating the case, KENFOX attorneys proposed two action plans: (i) filing a trademark application for "EVELINE COSMETICS" and (ii) filing a Notice of Opposition against the pending mark "EVELINE COSMETICS".

The Intellectual Property Office of Vietnam was completely convinced by the documents, evidences, and arguments submitted by KENFOX attorneys and, as a result, issued a ruling in favour of Eveline Cosmetics and refused registration of Cao Thanh Hai's trademark "EVELINE COSMETICS."

#### **Key takeaways:**

1. Trademark squatting or bad faith trademark registration in order to appropriate the intellectual property of foreign companies for the purpose of illicit profit, is no longer a rare occurrence in Vietnam. The greater the brand's prestige and reputation, the more likely it is to fall into this spiral. We discovered through monitoring the Industrial Property Official Gazette in Vietnam that an individual in Ho Chi Minh City also filed nearly 200 trademark registration applications for numerous well-known trademarks of foreign legal entities. While Vietnam's IP law continues to give priority to the "first to file" principle, this regime will be abused, and the situation of foreign investors losing trademark rights as a result of trademark squatting will continue at a high level and on a larger scale.
2. In Vietnam, using unregistered trademarks in commercial activities exposes you to unpredictable risks. Even if a third party has filed for registration of the trademark in advance, the door to regaining trademark rights is not closed. However, there is no solid basis to guarantee victory, given that trademark squatters in Vietnam are becoming increasingly professional and employing very sophisticated tricks. As a result, obtaining a victory similar to the one obtained in the EVELINE COSMETICS case will become increasingly rare, and the battle against trademark squatting will become increasingly fierce. As a result, we believe that being overconfident in believing that once a trademark is used extensively in Vietnam, there is an absolute basis for reclaiming the trademark is a mistake

because determining whether a trademark is widely used in Vietnam depends much on the subjective and inconsistent views of IP Vietnam's examiners.

3. However, the experience from the above case shows that the documents and evidence of the legitimate trademark owner's use of the mark in commerce in Vietnam prior to the third party's application remain critical evidence in trademark opposition/cancellation cases in Vietnam. If the mark has not been registered but has been widely used in commerce in Vietnam before the other party's application, the chances of successfully opposing the other party's application under Article 74.2 (g) of Vietnam's Intellectual Property Law and reclaiming it for the legitimate trademark owner are not closed. Thus, maintaining scientific and systematic records of trademark use in Vietnam will be extremely beneficial in cases where the legitimate owner wishes to reclaim his mark through trademark opposition/cancellation procedures, and even if the IPR holder has not registered the trademark but wishes to enforce it against acts of unfair competition. KENFOX IP & Law Office has advised and represented numerous clients in coordinating with Vietnamese enforcement agencies to successfully resolve numerous unfair competition cases despite the right holder's lack of a registered "commercial indication" in Vietnam
4. In principle, like the trademark laws of many other countries, an applied-for in Vietnam may be refused protection and a registered trademark may be invalidated if it is found confusingly similar to another trademark that has been widely used commercially in the Vietnamese market. What documents do you need to establish that the trademark has been widely used in commerce in Vietnam? The Vietnamese law and its sub-laws do not specify the types of documents that must be submitted to demonstrate widespread use of the mark. However, recent trademark opposition/cancellation cases show that the applicant may submit the following documents to support the trademark opposition/cancellation actions:
  - a. *evidence of earlier use, such as an invoice, advertisement materials or a list of distributors;*
  - b. *evidence of famous characters, such as a number of related consumers who are aware of the mark through purchase or use of the goods or services bearing the mark or through advertising;*
  - c. *territorial scope of circulation of the goods/services bearing the mark;*
  - d. *turnover of the sale or supply of the goods or services bearing the mark or the volume of the goods sold or the services supplied;*
  - e. *the period of continuous use of the mark;*
  - f. *widespread goodwill of the goods/services bearing the mark;*
  - g. *countries granting protection to the mark;*
  - h. *countries recognizing the mark as well known;*
  - i. *the value of the assignment, the licensing price or the value of investment capital contribution in respect of the mark;*
  - j. *distribution agreement and/or any other evidence for proving bad faith registration;*
  - k. *information of prior rights in Vietnam (trademark registration, protected trade name, protected geographical indication, protected industrial design); (l) successful precedents in worldwide trademark registries;*
  - l. *social survey.*
5. Arguments based on "Tradenname" rights can be effective in opposing/cancelling a third party's trademarks in cases where a legitimate trademark owner has not established trademark rights in Vietnam.

Trade names are one of the subjects of industrial property rights in Vietnam and are protected by the country's laws. Under Vietnam's IP Law, a *[trade name]* is a designation of an organization or individual that is used in business activities to differentiate the business entity that bears the trade name from other business entities in the same business sector and geographic area. In Vietnam, the regime for

establishing the right to a trade name is established through the legal use thereof in commerce, rather than through registration procedures like a trademark. Industrial property rights conferred to a trade name are established based on the trade name's lawful use. Article 74.2 (k) of Vietnam's IP Law states that a trademark will be refused protection if it is "*identical or similar to another's trade name in use*". Thus, if a legitimate trademark owner's trademark is derived / formed from his or her trade name and the trademark owner's right to the trademark has not been established, he may oppose a third party's trademark based on his trade name rights. A prerequisite for proving the right to an established trade name in Vietnam is that the trade name has been used in actual commerce in the country.

To specify the provisions on the scope of rights to trade names, Article 16(2) of Decree No. 103/2006/ND-CP stipulates: [*Scope of rights to a trade name is determined according to the scope of protection of the trade name, including the trade name, business domain and territory of business in which the trade name is lawfully used by the entity bearing such trade name. The registration of a designation of a business organization or individual involved in business procedures shall not be considered the use of that designation but merely constitute a condition for the use of that designation to be considered lawful*].

Thus, in addition to the conditions set forth in Articles 76 and 78 of Vietnam's IP Law, to assert rights to a trade name to fight against a third party's applied-for trademark identical to the legitimate owner's trademark, the trade name must satisfy 2 requirements, (i) it is the name/designation of a business, which means that such business must be established and registered for business activities in accordance with the relevant provisions of law and (ii) the trade name owner must use his trade name in commercial activities legally in Vietnam.

6. A trademark can be protected in the form of copyright if it meets the requirements for protection under copyright law. In the case of a trademark, by nature, is a logo composed of lines, colors, etc., it may fall within the protected scope of a work in the form of an "**applied art work**". Under the copyright law, a work is protected as soon as it [*is created and expressed in a certain material form, regardless of its content, quality, form or method. Convenience, language, published or unpublished, registered or not registered*]. According to the Berne Convention to which Vietnam is a member country, (i) works (including applied art works) **are automatically protected**, meaning that the protection of the work is not subject to procedures for registration, depository or similar procedures and (ii) the Member States exercising protection of works originating in other Member States, similar to the protection of works by the people of their country. Therefore, if a logo which is created, shaped in the form of an applied art work in a country that is a member of the Berne Convention, it automatically confers copyright on the creator in the member countries (to which Vietnam is a contracting party) without the need to register it in Vietnam or the Berne Convention member states.

In addition, a legitimate trademark owner can also rely on Article 17 of Decree 103/2006/ND-CP on "*respect for previously established rights*" as a basis to request IP Vietnam not to grant protection for an applied-for trademark. The content of this law is as follows: [*Industrial property rights of an organization or individual may be invalidated or banned from exercise if they conflict with **previously established intellectual property rights** of another organization or individual*].

Although IP Vietnam's examiners rarely acknowledge or accept the existence of copyright in trademark dispute resolution, in our opinion, the copyright argument should still be used, where appropriate, to support and strengthen the position of the right holders as well as to lend weight to arguments when initiating a trademark opposition/cancellation in Vietnam.