

Resolving Disputes Between Trade Names and Trademarks in Vietnam: How to Proceed?

Disputes between [trademarks](#) and trade names are commonplace and present considerable challenges for businesses. Establishing rights for trade names under Vietnamese law is relatively straightforward. If a trade name is shown to have been legally used in Vietnam and does not infringe upon existing trademarks, business names, or geographical indications, its rights are established. On the other hand, the process of revoking trade name rights can be intricate and challenging. The following dispute serves as an expensive lesson for foreign businesses engaging in commercial activities in Vietnam, particularly through franchising endeavors. It underscores the importance of understanding the local legal landscape and ensuring proper trademark protection to avoid such costly predicaments.

Background

YiFT, a Taiwanese company, is the proud owner of the renowned "YiFT" brand, which has become synonymous with a chain of stores offering a delightful range of beverages, including fruit tea and famous milk tea. With an impressive global presence, YiFT company has successfully established over 1000 tea shops under the universally recognized "YiFT" brand.

Back in 2017, a Vietnamese individual named Mrs. H approached YiFT, expressing her interest in collaborating as a franchisee to establish a chain of beverage supply stores carrying the "YiFT" trademark. After careful consideration, in September 2018, YiFT Company and Mrs. H finalized a Trademark License Agreement, granting her the right to use the esteemed "YiFT" trademark for her commercial activities in Vietnam. Per the agreement's terms, Mrs. H was designated as the exclusive general agent in Vietnam, allowing her to utilize YiFT Company's marks, decorative styles, interiors, executive management system, and know-how system. She was empowered to set up direct selling stores or engage in partnerships with third parties to establish YiFT franchised stores in Vietnam, all at her own expense or through collaborative efforts.

In March 2017, YiFT Company applied to register "YiFT" trademark in Vietnam. The Intellectual Property of Vietnam ([IP VIETNAM](#)) and which was granted a trademark registration certificate in September 2019.

Breach of Franchise Agreement

In July 2020, having found that Ms. H failed to perform her obligations under the signed Trademark License Agreement, YiFT Company sent a warning letter requesting Ms. H to cease and stop franchising activities related to products and services bearing "YiFT" trademark. The reason for this request was that Ms. H was advertising new beverages, including coffee jelly milk tea, grapefruit mango-flavored sagu palm powder, mango tea, mango-flavored sagu palm powder, since early 2020. However, Mrs. H never purchased the main ingredients, including coffee powder, mango jam, grapefruit sack, and sagu palm powder. According to YiFT Company, Mrs. H was acquiring those key materials from local suppliers not approved by YiFT Company and arbitrarily used raw materials provided by a third party. As such, Mrs. H committed a serious breach of the Franchise Agreement. As a result, YiFT Company had to terminate the franchise relationship and demanded Ms. H to pay damages and fines. However, in order to resolve the matter in good faith, YiFT Company required Ms. H to purchase their key materials before the end of July 2020.

Without receiving cooperation from Mrs. H, YiFT Company announced in September 2020 that the License Agreement to use the YiFT Trademarks would be terminated and required Ms. H to remove all store signs or prints affixed with the "YiFT" mark.

Legal Disputes

YiFT Company was taken aback when they came across an unexpected situation in **October 2017**. It was revealed that Mrs. H had established a Vietnamese company with a name closely similar to the "YiFT" trademark. As a consequence, Mrs. H could argue that her use of the YiFT store sign was based on a trade name that had already been legally established in Vietnam since 2017, while the "YiFT"

trademark was only registered in September 2019, a significant two years later. This particular aspect became the central point of contention in the case, creating a complex and crucial knot to untangle.

Practical Lessons

1. Addressing disputes between trademarks and trade names

Trademarks and trade names are two subject matters protectable under Vietnam's IP Law, yet their protection mechanisms differ significantly. In Vietnam, trademarks are protected through the issuance of protection titles by IP VIETNAM. This means that the mark owner's rights are established only upon a successful registration, except in the case of a well-known mark. However, trade names enjoy protection without the need for filing or formal registration. The protection of a trade name is inherent, and its protection is automatically granted without any additional registration obligations.

By law, the right to a trade name is established quite simply, as long as it satisfies 03 requirements, namely, **(i)** it is not identical/confusingly similar to the prior trademarks and trade names, **(ii)** it has a proper name, and **(iii)** it has been used in legitimate commercial activities in Vietnam. Therefore, while a trade name enjoys swift and uncomplicated protection without the need for formal registration, a trademark has to go through a 2-3 year examination process from filing to be mature into registration in Vietnam. This mechanism for establishing trade name rights has been exploited and misused by certain parties who expediently establish companies bearing names identical or remarkably similar to registered trademarks. This tactic is employed to assert ownership and employ the name in commercial activities, often leading to disputes over intellectual property rights with the genuine trademark holder.

The procedures for addressing conflicts arising from trademarks and trade names are outlined in the Joint Circular No. 05/2016/TTLT-BKHCN-BKHDT, which pertains to the resolution of situations involving enterprise names that infringe upon intellectual property rights. Additionally, Article 19 of Decree 01/2021/ND-CP, focusing on business registration, also provides guidance on these disputes.

One fundamental principle governing the resolution of conflicts involving intellectual property (IP) rights, particularly in cases where trademark rights clash with trade name rights, or vice versa, is the emphasis on honoring pre-existing rights. This principle is elaborated upon in Article 17 of [Decree 103/2006/ND-CP](#), as amended, which states: **[Article 17. Respect for pre-established rights: 1. Industrial property rights may be invalidated or banned from use if they conflict with the prior IP rights of other organizations or individuals.**

Since the enactment of the IP Law, instances where numerous enterprises, either inadvertently or deliberately, have registered their business names incorporating terms that are identical or akin to the appellation of previously established enterprises or prestigious trademarks, have become relatively commonplace. The IP Law, in conjunction with the Enterprise Law and related regulatory frameworks, has provided explicit guidelines to address this issue. For instance, one stipulation asserts, "*The utilization of safeguarded trade names, trademarks, or geographical indications for the purpose of constituting the official name of a new enterprise is prohibited, except upon obtaining explicit authorization from the proprietor of said trade name or mark.*" Furthermore, another provision reinforces the fundamental principle that "*Enterprises themselves bear legal accountability for their business name, and if the employment of such a business name encroaches upon the industrial property rights of others, they are liable for the consequences.*"

Practice indicates that in case of a later formed trade name, if it has been **widely** used for **a long time** in commercial activities running in parallel with a pre-existing trade name or trademark, it becomes challenging to ascertain whether the subsequent trade name has the potential to "confuse" the public, resulting in harm to the proprietor of the preceding trade name or mark. In practice law enforcement agencies often hold the perspective that the considerable usage of the subsequent trade name may cultivate a sense of "distinctiveness," thereby minimizing the likelihood of confusion with the earlier trade names or trademarks. This disposition can lead to a situation where the evidence and arguments presented by the original owner might be perceived as unilaterally inclined, subjective, and, as a result, may not gain acceptance by the enforcement authority.

2. What is the legal route to prove that a business name infringes on trademark rights?

2.1. [Unfair competition](#) under IP Law and Competition Law

Competition Law: Article 3, Clause 6 of the 2018 Competition Law provides an expansive definition of unfair competition, encompassing actions undertaken by an enterprise that contravene the tenets of good faith, honesty, established business norms, and industry standards. These actions result in, or have the potential to result in, harm to the lawful rights and interests of other enterprises.

IP Law: As stipulated in Clause 4, Article 4 of the 2005 Intellectual Property Law, subsequently amended and supplemented in 2009, 2019, and 2022, the right to address unfair competition is established as an integral element of intellectual property (IP) rights. Nevertheless, it's important to note that under this provision, the classification of unfair competition as an infringement falls within the scope of industrial property subjects, rather than encompassing all instances of unfair competition.

In order to determine whether a business name infringes on trademark rights or not, it is necessary to evidence that the use of the infringing party's business name, as per Article 130 of the IP Law, has caused confusion about the *business entity, business activities, commercial origin of goods or services, geographical origin, mode of production, features, quality, quantity or other characteristics of goods or services, or the conditions of supply of goods or services*. Confusing business name is a name comprising of signs (e.g., *constituents, presentation, combination of constituents, overall impression on consumers*) identical or confusingly similar to the corresponding mark of the right holder for identical or similar goods or services.

The party requesting handling of acts of unfair competition ("The Petitioner") on the use of confusing business names with trademarks must provide evidences demonstrating that:

- The Petitioner is the legal owner of the infringed trademark, having established rights to his/her trademark.
- The infringing party has used a trade name that is confusingly similar to the registered mark on goods, goods packaging, business means, service vehicles, advertising means without the permission of the trademark owner.

Notably, in order to establish the presence of trademark rights infringement arising from the usage of confusing business names according to intellectual property (IP) law, it is imperative that the specific trademark in question is duly registered and holds validity within the jurisdiction of Vietnam. This means that even in case of the unregistered mark, including the applied-for trademarks cases, it is difficult for the genuine trademark owner to handle the infringement based on provisions under Article 130 of the IP Law. Under such circumstances, the aggrieved party might explore alternative legal avenues to safeguard their rightful rights and interests.

2.2. Pre-Used Trademarks under the IP Law

Vietnam adheres to the civil law system, which upholds the fundamental and definitive "First-To-file" principle for the registration of industrial property subjects, hinging on the earliest priority date or filing date. Nevertheless, it's essential to note that the "First-To-file" principle is not an absolute and inflexible rule. Vietnam's IP law recognizes two exceptions, affording IPR holders the opportunity to assert their rights even in instances where these rights have not been officially registered in Vietnam, namely, (i) widely used mark and (ii) well-known mark.

Therefore, to protect legitimate rights and interests, business owners can rely on the prior use of their unregistered trademarks (subject to specific conditions being met) if it is discovered that another party uses a trade name that contains confusing elements with their unregistered mark.

2.3. **Bad faith** of the trade name owners

The protection mechanism without registration applied to trade names is also a loophole that causes other entities to take advantage of the use of the trade name to appropriate the right to the trademark - a subject matter of industrial property rights that is only protected under registration through a lengthy examination process. The scenario involving YiFT company, as previously mentioned, serves as a quintessential illustration. Taking advantage of the lengthy trademark examination from 1-2 year, Ms. H, although being aware of the famous YiFT brand, established a company using a name identical to the YiFT brand and engaged in the trading of similar products bearing the YiFT mark, all for unlawful financial gain.

In practice, using the other's trademark to register a business name or use it in a trade name with such dishonest motives will cause information distortion for consumers. This confusion renders consumers susceptible to mistakenly identifying and discerning among various business entities. The challenge lies in distinguishing which business entities provide specific products or services, often leading to the misconception of a close affiliation between these entities. This scenario, in turn, detrimentally impacts the genuine brand owner's reputation and business operations. This unethical conduct not only taints the business landscape but also fosters an atmosphere of unjust competition, thereby exerting a profound adverse influence on the national economy.

In such a case, the trademark owner holds the right to petition the relevant authority for redressal of the trademark infringement, and can further demand that the infringing party change their business name as per Article 19 of Decree No. 01/2021/ND-CP. This request should be accompanied by substantiating evidence, which should include:

- **Established reputation:** Documentation demonstrating the extensive usage of the trademark by the owner;
- **Unauthorized use:** Clear evidence revealing that the infringing party has employed an identical business name to the trademark without obtaining consent from the rightful owner.
- **Deceptive intent:** Supported by reasonable proof, such as the existence of a business affiliation between the infringing party and the aggrieved party, or instances where the infringing party's awareness of the trademark owned by the aggrieved party has been deliberately exploited within their business name.
- **Confusion and misrepresentation:** Acts of using the business name of the infringing party to cause confusion about the origin of goods or to give a false impression about the relationship between the infringer and the trademark owner.

2.4. The Enterprise Law stipulates the names of enterprises, the process of dealing with names of enterprises of which the use infringes upon trademark rights

As per Clause 1, Article 19 of Decree No. 01/2021/ND-CP governing the registration of enterprises as stipulated by the Enterprise Law, it is explicitly stated that businesses are prohibited from incorporating safeguarded trade names, trademarks, or geographical indications owned by individuals or organizations into their enterprise name, unless prior authorization has been granted by the proprietor of said trade name or mark.

Initiation of request: The IPR holder, upon identifying a trade name that infringes their trademark, may initiate the process by sending a formal written petition to the Enterprise Registration Office (ERO). This petition outlines the infringement issue and requests that the infringing enterprise change its business name in accordance with Clause 3, Article 19 of Decree 01/2021/ND-CP.

Required Documentation: The IPR holder's written request must be accompanied by the following documents (*where appropriate*):

- (i) A conclusion issued by a competent Vietnamese authority affirming that the utilization of the trade name constitutes an infringement of industrial property rights;
- (ii) Certificate of trademark registration, Certificate of geographical indication registration; an extract of the national register of protected trademarks and geographical indications issued by the state management agency in charge of industrial property; Certificate of international registration of trademark protected in Vietnam, issued by the state management agency in charge of industrial property; license agreement of the IP subject matter in case the requester is a licensee.

Review and notification: Upon receiving all necessary documents, the ERO has 10 working days to assess the case. If the provided evidence is satisfactory, the ERO will issue a formal notification to the infringing enterprise. This notification instructs the infringing enterprise to change its business name within a timeframe of 2 months from the date of notification. The notification will also include copies of the submitted documents for reference.

Non-compliance and further action: If the infringing enterprise fails to register a change of business name within the prescribed 2-month period, the ERO will notify the appropriate Vietnamese enforcement agency for addressing the case under the IP legislation.

Administrative sanctions and remedial measures: If the Vietnamese enforcement agency issues a decision to impose administrative sanctions, the infringing enterprise is required to implement remedial actions, including changing its name or removing the infringing element from its name.

Should the infringing party not comply within the stipulated timeframe set by law, the the Vietnamese enforcement agency will notify the ERO. The ERO, in turn, will request the infringing enterprise to provide a compliance report if necessary, and will actively encourage the enterprise to fulfill its reporting obligations. The ERO shall notify the results of handling the case to the IPR holder.

Final thoughts

Disputes between trademarks and trade names can be a very prolonged and arduous battle, where neither party is inclined to yield or relinquish ground. This is particularly obvious when entities have established an operational presence, complete with an intricate network of outlets and distributors in Vietnam. The persistence of such disputes is understandable, as ceasing the utilization of the trade name or trademark entails disbanding an entire framework of business and investment ventures closely linked to it. Resolving these intricate disputes is a formidable undertaking, constituting a stern and sobering lesson for foreign enterprises operating within the Vietnamese market. Successful resolution demands a cautious and meticulous approach, as well as a strategically designed blueprint to adeptly navigate any potential conflicts that may emerge.

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