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DEALING WITH SHADOW COMPANIES IN VIETNAM AND THAILAND

In Hong Kong, the term “shadow company” refers to the unscrupulous use of another party’s well-known trademark in the registered name of a business, often for the purpose of conducting trade in illegitimate goods and services. In China, these companies are known as “unauthorized business enterprise name registrations.” Concerted efforts by IP owners, trade associations, and IP lawyers in both jurisdictions have led to successful actions against such trademark infringements. In July 2010, the Hong Kong Legislative Council passed the Companies (Amendment) Bill 2010 which, when implemented, will empower the Companies Registry to strike off these shadow companies. This legislation should prove advantageous for legitimate business owners seeking to protect their trade names and trademarks from unscrupulous use.

While China and Hong Kong take action against these shadow companies, Southeast Asia is seeing a marked increase in the use of well-known trade names and trademarks in business name registrations. To deal with these registrations, Vietnam introduced a decree that came into effect on June 1, 2010. In Thailand, however, there seems little the company registration departments can proactively do to counter such unauthorized registrations until the relevant enabling legislation changes to empower officials to reject applications for business names using the trademarks or trade names of others.

New legislation in Vietnam

The Vietnamese government recently passed Decree 43/2010-ND-CP on Enterprise Registration (Decree 43). Article 17 prohibits the use of a protected trade name, trademark, or geographical indication of another organization or individual in the name of a business. This Decree gives IP owners the right to file a request to the relevant business registration body or authority (usually the provincial Department of Planning and Investment) to require a business to change an infringing name.

The new regulations make it clear that the authority does not verify IP rights compliance in the examination of an application for registration of a name. Instead, business owners are responsible in this respect. The grounds for determining whether the name of a business breaches IP rights are as stipulated in the Law on Intellectual Property.

In a request to the authority, the IP owner is required to submit: (1) a decision from an authorized body concluding that the use of the name is a breach of IP rights; and (2) a copy of the certificate of registration of the trademark or geographical indication and the extract from the national register issued by the National Office of Intellectual Property (NOIP); or a copy of the certificate of international registration protected in Vietnam, or a copy of the Interna-

tional Trademark Gazette of WIPO or the Official Gazette of Vietnam certified by the NOIP in the case of an internationally registered trademark; or data proving that the trade name was used lawfully and continuously during the period prior to registration of the trade name of the business in dispute.

Within ten days from receipt of all documents, the authority shall issue a notice requiring the business to change the infringing name within two months. If the business fails to change its name within the time limit, the authority will report to the authorized State body to deal with the breach in accordance with the law on dealing with administrative breaches in the IP sector.

Decree 43 creates the legal basis and procedures for authorities to enforce IP rights in relation to trade names. The Decree also encourages businesses to consult the list of registered trademarks and geographical indications on the database kept by the NOIP under the Ministry of Science and Technology prior to applying for registration. In addition, the Decree contains provisions for a national business registration system which would include a national registration information portal and database.

While uncertainties remain in the application of the new Decree in conjunction with existing IP provisions, as well as the procedures for following up on a request, Decree 43 sends a clear message that the Government is committed to strengthening the position of IP rights holders in Vietnam.

Civil remedies in Thailand

In Thailand, this type of specific legislation to deal with unauthorized business registrations has not yet been introduced. In the absence of such legislation, complainants seeking relief look to Section 18 of the Civil and Commercial Code, which provides that the injured party can apply to the court for an injunction to abate unauthorized use of a trade name.

As in other jurisdictions, trade name disputes normally commence with sending the infringer a cease-and-desist letter demanding that they change the business name registration to a name not confusingly similar to the disputed trademark or trade name. Prior to sending this letter, an investigation is often recommended to learn the scope of business activity, strengthen arguments, and secure good evidence should the cease-and-desist letter be ignored. If the infringer does not cooperate after receiving the cease-and-desist letter, legal proceedings can be commenced against the infringer by filing a civil suit.

The Thai Supreme Court’s November 24, 2009, decision in *Mr. Narinder Singh Suriyaammaritr and Narry Limited Partnership v. Narry Tailors Co., Ltd. et. al.* (Supreme Court Case 4583/2552) applied Section 18 of the Civil and Commercial Code to protect the plaintiffs’ right over their trade name NARRY over a Krabi Province competitor also in the tailoring and fashion trade. Other recent cases include successful decisions in favor of Universal City Studios (against “Universal Pictures Thailand”) and Zegna trademark owner Consitex S.A. (against “Zegna Collection”).

IP owners are encouraged to monitor the database of the Thai Department of Business Development, Ministry of Commerce, and once available, the Vietnam national registration database, for suspicious trade name registrations. At the same time, it is important to request enforcement of existing IP provisions and to lobby governments to empower authorities to reject unscrupulous trade name applications. 