

# VIETNAM

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## Introduction

The textile and garment industry is a vital part of Vietnam's economy, and the country has emerged as one of the top textile producers and apparel exporters in the world. Although the industry was hit hard by the COVID-19 pandemic, government policy support and effective tools to protect IP rights in the fashion space are reasons for investors to be optimistic about the industry's post-pandemic future in Vietnam.

## 1. What are the main intellectual property legal tools available to protect fashion products in Vietnam?

### 1.1 Trademarks and non-traditional trademarks

Under Article 4.16 of Vietnam's Law on Intellectual Property (IP Law), a trademark is any sign used to distinguish the goods or services of different organizations or individuals. Signs eligible for registration as trademarks must be visible signs in the form of: letters; numerals; words; pictures; or images, including three-dimensional images; or their combinations, presented in one or several given colors. Under the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), which took effect in Vietnam in early 2019, sound will also be registrable.

Provided that these requirements are met, there are also a number of "non-traditional" trademarks worth mentioning for the fashion industry, as follows.

**Color mark.** Color *per se* is not registrable in Vietnam. However, the combination of colors can be registered as a trademark, provided that it is distinctive (not too simple or too complicated, not imposed by the nature of the product or necessary to achieve a technical result, etc.). Otherwise, secondary meaning through extensive use must be proven.

**Black-and-white mark.** The protection of black and white marks may extend to color variations, as the protection of a black-and-white trademark is limited to the content of the mark (word/figurative elements). Therefore, use of a mark in color may be accepted as use of the registered mark in black and white. However, this does not apply when color plays a crucial role giving the sign distinctiveness.

**Shape mark.** A shape mark is registrable as a three-dimensional mark in Vietnam. To be registrable, the shape mark must not be the conventional shape of the product or its container, as stipulated in Article 74.2(b),(c) of the IP Law. Otherwise, secondary meaning through extensive use must be proven. However, if a three-dimensional sign is the shape/container of the goods on the list of goods/services but it is combined with another distinctive element(s), the shape will be protected as a whole with the exclusion of, and disclaimer on, the sign being the shape/container of the goods.

**Pattern mark.** A pattern mark is regarded as a device mark, and is registrable if it is distinctive (not too simple or too complicated, etc.), and capable of identifying the origin of the goods/services.

**"Made in".** The "Made in Vietnam" mark is regarded as a descriptive sign, and is not registrable separately. If the applicant is not a Vietnamese entity or does not have an address in Vietnam, this sign is considered deceptive and will be refused according to Article 73.5 of the IP Law.

**Unregistered mark.** Well-known or widely-used marks are protected in Vietnam without registration, and can be effective in prevention of registration and use of similar marks for similar goods or dissimilar goods (in the case of well-known marks) if the use of such infringing mark is aimed at taking advantage of the well-known mark or may dilute the well-known mark, according to Article 74.2.(i) of the IP Law.

### 1.2 Design as an alternative or addition to TM registration

A variety of fashion products have been filed in Vietnam for design protection, such as shoes and sandals (Locarno classification 02-04), bags (03-01), clothes (02-01 to 02-07), jewellery (11-01), watches (10-02), and so on.

There are no design laws/regulations specific to the fashion industry. Fashion product designs are governed by the Hague Agreement and Vietnam's IP Law and its guiding legislation.

### 1.3 Copyright as an alternative or addition to TM registration

Under the IP Law, if a work belonging to the closed list of copyrightable works stipulated in Article 14 is created personally by the author(s) without copying others' works and is fixed in a material form, it is copyrightable in Vietnam (assuming it meets the minimum creativity threshold), irrespective of registration procedure.

In the fashion industry, objects such as fashion designs, product designs, and drawings would be protectable as works of applied art if they meet the above criteria. For protected works, the moral rights will be protected for an indefinite term, while the economic rights will be protected for 75 years from the first date of publication, or 100 years from the fixation date if the work has not yet been published within 25 years from the fixation date.

A copyright registration could be pursued as an alternative or addition to a trademark registration, especially when there is a question as to the inherent distinctiveness of the objects, which is a requirement for protection as a trademark.

The online database of the Copyright Office of Vietnam (COV) shows a large number of registered copyrights for works related to the fashion industry, such as designs of purses, handbags, and watches.

### 1.4 Any other pertinent IP rights

**Patents.** Clothing, headwear, footwear, and accessories such as jewellery, belts, bags, watches, and eyeglasses are all eligible for patent protection in Vietnam.

There are no patent laws/regulations specific to the fashion industry. Fashion product and process inventions are regulated by the following:

- Paris Convention;
- Patent Cooperation Treaty (PCT);
- WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS);
- Budapest Treaty on the International Recognition of the Deposit of Microorganisms for the Purposes of Patent Procedure;
- Resolution No. 102/2020/QH14 regarding ratification of EVFTA; and
- IP Law.

## Summary of additional IPRs

IPR in Vietnam	Duration	Time and modalities for grant	Pros and cons in the fashion sector
<b>Patents</b>	20 years, effective from the granting date to the end of the 20th year following the filing date (a maintenance fee must be paid annually).	It will take about 4.5-5.5 years from the date an application is filed with the Intellectual Property Office of Vietnam (IP Office) to obtain a patent.	<b>Pros:</b> a long term of market exclusivity. <b>Cons:</b> can be difficult to meet the novelty and inventive step requirements for registration.
<b>Trade secrets</b>	Unlimited, unless disclosed.	Automatic protection pursuant to Article 84 of the IP Law, provided that the information is: <ul style="list-style-type: none"> <li>• neither common knowledge nor easily obtained;</li> <li>• capable, when being used in business activities, of rendering advantages to its holder over those who do not hold or use it; and</li> <li>• kept secret by its owner with necessary measures so that it is neither disclosed nor easily accessible.</li> </ul>	<b>Pros:</b> no registration procedures required and potentially unlimited protection of the information. <b>Cons:</b> the information can be disclosed accidentally or (lawfully) reverse-engineered, with no legal recourse.
<b>Domain names (“.vn” is the domain suffix in Vietnam.)</b>	1-3 years (renewable without any limits).	A domain name can be registered within a day upon filing a request for registration with the domain name registrar.	<b>Pros:</b> essential for brand awareness; can be used for e-commerce. <b>Cons:</b> domain names can be registered by anyone; if the desired name is already registered, it is unavailable to the applicant.

**Geographical indications.** Geographical indications are relevant to the fashion industry in terms of protecting unique handicrafts and fashion articles originating from a specific location and consisting of a specific quality or reputation. Under

Article 4.22 of the IP Law, a geographical indication is a sign which identifies a product as originating from a specific region, locality, territory or country.

Geographical conditions relevant to a geographical indication mean natural and human factors decisive to the reputation, quality and characteristics of products bearing such geographical indication, including natural factors (such as climatic or ecological) and human factors (skill and expertise of producers, and traditional production processes of localities).

Quality and characteristics of products bearing a geographical indication are defined by one or several qualitative, quantitative, or physically, chemically, or microbiologically perceptible criteria which can be tested by technical means or experts with appropriate testing methods. In Vietnam, the “Hue” palm-leaf conical hat and Isan Thailand traditional silk are protected geographical indications.

## **2. Beyond intellectual property: what contractual arrangements are useful in manufacturing, distributing and advertising fashion products in Vietnam?**

### **2.1 Manufacturing fashion products**

**License agreements and Non-Disclosure Agreements (NDAs).** License agreements are appropriate contractual arrangements and commonly used in manufacturing fashion goods in Vietnam whereby the licensor (e.g., a designer or a company that has developed fashion goods) grants the licensee the ability to use the licensed intellectual property right (IPR) owned by the licensor to produce and sell fashion goods upon payment of a consideration, without transferring ownership. Article 144 of the IP Law requires that a license agreement must be established in the form of a written contract and must consist of the following terms:

- full names and addresses of the licensor and the licensee;
- grounds for licensing;
- contract type;
- licensing scope, including limitations on use rights and territorial limitations;
- contract term (duration);
- licensing price; and
- rights and obligations of the licensor and the licensee.

Normally, the licensor will need to disclose information that might influence the decision of the prospective licensee to enter into the license agreement; for example, the licensor’s ownership of the IPR and the validity thereof, so a Non-Disclosure Agreement (NDA) will normally be entered into before negotiating and drafting the license agreement. Under an NDA, an undersigning party will normally be required to maintain the confidentiality of information exchanged during the contractual relationship. The will include clauses relating to governing law, dispute resolution, penalties for disclosure, duration and language.

**Subcontract agreements / in-house manufacturing.** There is no definition of a subcontract agreement in the area of fashion under the laws of Vietnam. However, it is commonly understood that a subcontract agreement refers to any contract or proposed contract entered by a primary contractor and subcontractor whereby that subcontractor agrees to provide to the primary contractor services, works, or goods or any part thereof in order to support

such primary contractor in the execution of the main contract executed between it and the project owner.

As the subcontract agreement may involve the sharing of the usage of the IPRs, it is crucial to not only clearly stipulate how the subcontractor will be enabled to use the IPRs (e.g., scope/cases of using the IPRs), but also set out consequences for infringement and breach of contract. The subcontractor must strictly comply with all the primary contractor's instructions under the subcontract agreement.

## 2.2 Distributing fashion products

**Agency agreement.** Subject to an authorization by the principal, an agent is allowed to act in the name and for the benefit of the principal to enter into and perform a transaction under Articles 134 and 138 of Vietnam's Civil Code. A transaction established and performed by the agent with a third party in accordance with the scope of representation gives rise to rights and obligations of the principal. Agency agreements must be in writing. This is a fiduciary relationship and as such the agent is required to act under the principles of loyalty and good faith. The agent may enter into and perform civil transactions only within the scope of representation on the basis of the contents of representation provided under the agency agreement.

**Co-branding and co-marketing.** Co-branding or co-marketing agreements are commonly used by parties to achieve greater exposure and more effective results in helping a brand reach a wider audience. These agreements will include clauses that clearly set out rights and obligations of each party in relation to brand positioning and marketing work, royalties, compensation for damages, governing law, and dispute resolution forum.

## 2.3 Advertising fashion products

**Employing fashion models.** Under a contract where a model is a contracting party, it is necessary to clearly define the scope of the model's duty (for example, being on time for photo shoots, avoidance of any scandals), and it is crucial for the other contracting party to have a right to use of the model's image.

**Social media, influencers and brand ambassadors/celebrities.** Influencer contracts will normally be entered into by an advertiser and an influencer to promote the advertiser's goods or services. In addition to clauses clearly stipulating the rights and obligations that the influencer will be required to perform in relation to the promotion of the brand and its products, the influencer contract should also include a key clause detailing the "code of conduct" of the influencer when promoting the products (e.g., actions that influencers will commit not to perform in order to protect the personal image of the influencer and the image of the brand that he/she is representing), and an indemnification clause in case the influencer breaches his/her commitments/obligations. The right to early termination of the contract by either party should also be clearly provided.

**Advertising standards, relevant authorities and advertising practice.** The principal regulatory body for advertising activities is the Ministry of Culture,

Sports and Tourism. Ministries and ministerial-equivalent bodies and People's Committees at all levels also have responsibility for management of certain advertising activities.

There are no advertising rules applicable specifically to the fashion industry in Vietnam. However, all advertising activities in the fashion industry are highly regulated by the Vietnamese government in accordance with the Law on Advertising, which applies to all advertising activities in Vietnam.

### **3. What regulations govern online marketing and how are the rules enforced in Vietnam?**

Marketing and advertising activities in general remain heavily regulated by the Vietnamese government. Legally, Vietnamese entities and branches of foreign companies in Vietnam (except for representative offices) have the right to advertise their goods and/or services or to hire other third-party service providers to do so. Offshore companies can only hire Vietnamese advertising service providers.

Fundamentally, marketing/advertisement in fashion is not restricted in the mass media in general or online in particular. The Law on Advertising and Decree No. 181/2013/ND-CP are the main regulations governing online marketing in Vietnam. However, in practice, arbitrary enforcement and interpretation of the regulations continue to hinder the development and spending of the advertising industry.

Furthermore, Decree No. 91/2020/ND-CP on fighting spam messages, spam email and spam calls sets out regulations regarding unsolicited messages sent by email and mobile phone. This decree requires prior consent from the intended recipients for advertising emails, text messages and phone calls and restricts the number of advertising emails that may be sent to an email address in a 24-hour period. The decree also sets out certain details and requirements of each advertising email or text message sent.

A new regulation, Decree No. 38/2021/ND-CP on penalties for administrative violations involving cultural and advertising activities, took effect on 1 June 2021, and imposes some restrictions on online advertising. These restrictions appear to create unfair competition between Vietnamese companies and global advertising giants like Facebook and Google who do not have to abide by Vietnamese laws and will not need to make changes to their ad format.

A draft decree to amend Decree 181 is (as of 2021) in the legislative process. This draft decree targets cross-border advertising activities on the Internet such as websites, social networks and applications having users in Vietnam, and seeks to address advertisers' obligations to ensure offshore entities' compliance with Vietnamese laws and regulations on advertising.

#### **3.1 Consumer protection regulations**

For the time being, the Law on Protection of Consumer Rights together with the Law on Advertising and the Law on Product and Goods Quality are the regulations on consumer protection, in Vietnam. There are no regulations on consumer protection specifically for the fashion industry.



In general, consumer protection rules in Vietnam include the following:

- Protecting personal information and data privacy for consumers.
- Prohibiting traders from carrying out aggressive sales techniques or engaging in behavior that amounts to harassment of consumers or taking advantage of consumers.
- Providing obligations on third parties who provide information about products to consumers (such as media organizations through their advertising services) and setting out the potential liability of those third parties to ensure the information supplied to consumers about a product is complete and accurate and to require the traders to provide the same.
- Requiring traders to exchange goods or offer a refund during the warranty period where the warranty has been called on more than three times but the fault remains unresolved.
- For defective goods, traders must promptly take all necessary measures to stop the supply of the defective goods on the market and must make a public announcement that the goods are defective. Traders (which can include a manufacturer, importer or supplier) are liable to pay compensation for loss and damage if the goods which they supply are defective and cause loss of life or damage.
- Establishing dispute resolution (negotiation, mediation, arbitration, or court) between consumers and traders and providing settlement of consumers' complaints.
- Any clause that seeks to exclude the statutory liability of the trader, or restricts the rights of consumers to complain, or allows a trader to unilaterally change the price, will be deemed invalid. Consumers must be given sufficient time to study the terms and conditions in a trader's standard-form contract or general trading conditions; and certain standard-form contracts relating to essential goods and services must be registered with the Ministry of Industry and Trade.

### 3.2 Physical store and online store layout

Under the IP Law, "An industrial design is the exterior appearance of a product represented in shapes, lines, colors or any combination thereof". According to current practice, the IP Office interprets that a "product" is understood as a tangible object. Therefore, intangible designs such as typefaces, icons, user interfaces, etc., are currently not patentable as industrial designs in Vietnam. As such, an "online store layout" or even a "store layout" are not patentable as industrial designs in Vietnam.

Notwithstanding the above, the layout of a physical store may be protectable as an architectural work or a work of applied art, while an online store layout may be protectable as a written work, on the condition that they meet the general criteria for copyright protection as mentioned above.

## 4. What are the most relevant unfair competition rules for fashion businesses and how do the Courts interpret and enforce these rules in Vietnam?

Unfair competition rules for fashion business in Vietnam can be found under the IP Law and the Law on Competition.

The concept of unfair competition under the IP Law (Article 130) refers to:

- the use of commercial indications such as marks, trade names, business symbols, business slogans, geographical indications, designs of packages and/or labels of goods which misleads consumers as to business entities, business activities, or commercial origin of goods or services; origin, production method, utilities, quality, quantity or other characteristics of goods or services; or as to the conditions for provision of goods or services; and
- domain name cyber-squatting.

The concept of unfair competition under the Law on Competition refers to acts performed by enterprises against the principles of good faith, honesty, business norms and standards, which cause or may cause damage to the legitimate rights and interests of other enterprises. Article 45 of the Law on Competition clearly indicates prohibited unfair competition practices, including:

- trade secret infringement in the forms of assessing and acquiring trade secrets by going against security measures of the owner of trade secrets and disclosing or using trade secrets without consent of the owner;
- forcing customers or business partners of other enterprises, through threats or coercion, to not enter into transactions or to stop transactions with such enterprises;
- discrediting competitors through directly or indirectly providing untruthful information about them which negatively impacts their goodwill, financial status or business operation;
- disrupting competitors' business through directly or indirectly interrupting or disrupting their legitimate business operation;
- illegally luring customers through false information or comparisons without evidence;
- selling goods and services below cost that drives or could probably drive competitors out of the market.

In practice, the court will apply relevant rules (under the concept of the IP Law or the Law on Competition) based on the nature of the infringements/violations in question. From the IP perspective, the courts often find Article 130 of the IP Law to be complicated and are hesitant to rule on unfair competition charges, except for cases involving domain name cyber-squatting.

**Trade secrets regulations.** Under the IP Law, a trade secret means information obtained from activities of financial or intellectual investment, which has not yet been disclosed and which can be used in business. To qualify as a trade secret under the IP Law, information must satisfy the following:

- it is neither common knowledge nor easily obtainable;
- when used in business activities, such information will bring advantages for its holder over those who do not hold or use it; and
- the trade secret's owner maintains information secrecy by all necessary means so that such secret will be neither disclosed nor easily accessible.

Trade secret regulations relating to the fashion industry are enforced by the same general provisions applicable for other industries, which include provisions about the holder's right, and infringement of rights to a trade secret.

The Law on Competition also introduces the statutory term "secrets in business" and considers infringement of these "secrets in business" to amount to unfair

competition (the Law on Competition itself does not provide a definition of this term). A company can enforce trade secret matters under either the IP Law or the Law on Competition, depending on the nature of the violations/disputes.

### **5. Is there any regulation specifically addressing sustainability or ESG (Environmental, Social and Governance) in the fashion industry in Vietnam?**

Textile products circulated in Vietnam must meet the National Technical Regulation QCVN 01: 2017/BCT on contents of formaldehyde and certain aromatic amines derived from azo colorants in textile products; evidenced by obtaining a Certificate of Conformity.

In terms of labelling and certification, Circular No. 41/2013/TT-BTNMT provides orders, procedures, and certification of ecological labels for environment-friendly products. Below are some national standards that are applied to environmental labeling:

- TCVN ISO 14024 (ISO 14024), Environmental labels and declarations - Type I environmental labeling - principles and procedures (ISO type 1);
- TCVN ISO 14021 (ISO 14021), Environmental labels and declarations - Self-declared environmental claims (Type II environmental labelling) (ISO type 2); and
- TCVN ISO 14025 (ISO 14025), Environmental labels and declarations - Type III environmental declarations - Principles and procedures (ISO type 3).

In addition, there are some standards (such as EOKO-Tex Standard and Global Organic Textile Standard (GOTS)) that manufacturers of textile products in Vietnam apply to label and certify their products that are mentioned in Annex III of QCVN 01: 2017/BCT.

**ISO certification.** ISO certifications which are commonly used/obtained in the fashion industry include the following:

- ISO 9001:2015 sets out the criteria for a quality management system;
- ISO 14001:2015 specifies the requirements for an environmental management system that an organization can use to enhance its environmental performance;
- ISO 45001:2018 specifies requirements for an occupational health and safety (OH&S) management system, and gives guidance for its use, to enable organizations to provide safe and healthy workplaces; and
- ISO 50001:2018 specifies requirements for establishing, implementing, maintaining and improving an energy management system (EnMS).

**ESG.** Environmental, social, and governance (ESG) remains a relatively unfamiliar topic to the majority of businesses in Vietnam. As a result, Vietnam has not issued any specific law addressing ESG concerns in any specific industry, including the fashion industry. Nevertheless, alongside those mentioned above, a number of current regulations do address ESG concerns.

**Environment.** By 2017, Vietnam had more than 7,000 garment and textile companies with over three million employees, making fashion a key industry for economic development in Vietnam. However, the industry comes with

a great risk of environmental pollution, especially water pollution and solid waste. The key legislation for environmental protection is the Law on Environmental Protection 2020 which came into effect on January 1, 2022. Vietnam also issues various regulations that control environment issues in the fashion industry. Decree No. 113/2017/ND-CP, which guides implementation of the Law on Chemicals, contains several lists of hazardous chemicals subject to special requirements or limitations. Importers, distributors and sellers of textile products in Vietnam should be aware of and follow these lists. Another important regulation was Decision No. 36/2008/QĐ-CP, which approved a recent development strategy for Vietnam's textile and garment industry and encouraged businesses to implement cleaner production programs in the textile industry, to apply environmental management standards according to ISO 14000, and to create a good working environment for employees according to the SA 8000 standard. Circular No. 41/2013/TT-BTNMT provides orders, procedures, and certification of ecological labels for various types of environment-friendly products.

**Social.** Core subjects and issues of social responsibility, related principles and practices, and textile industry standards (including the Clean Clothes Campaign, Fair Wear Fund, and Fur Free Retailer program) are addressed in National Standard No. TCVN ISO 26000:2013 - Guidance on social responsibility.

**Governance.** Corporate governance is regulated by the Vietnam's Civil Code and the Law on Enterprises, depending on the type of entity in question. In general, these regulations encourage transparent working environments and company rules and procedures that protect the rights of shareholders.

## **6. Customs monitoring in Vietnam: do any special import and export rules apply to fashion products?**

IPR holders of fashion goods, like other products, can apply for customs monitoring as a preemptive measure. The IPR holders can start the border control by adding the concerned trademarks to the customs database ("customs recordal"). Based on the recordal, customs on a nationwide scale in Vietnam will look out for fake versions of genuine goods when such goods cross the borders of Vietnam, and proactively notify the trademark owners of any suspected shipments for further verification before the goods enter the domestic market.

The procedure of customs seizures is as follows:

- Upon detecting suspected goods, customs will temporarily suspend the clearance of the goods and notify the IPR holder or its authorized IP agency.
- Within five working days from the date of the notice, customs will decide whether to suspend the goods.
- To request seizure, within three working days from the date of the notice, the IPR holder or its authorized IP agency must submit an application for suspension and a deposit bond or bank guarantee for an amount equal to 20%

of the value of the goods that are subject to the suspension, or at least VND 20 million (approximately USD 880 as of September 2021), if the total value of the goods cannot be determined.

- Upon receiving the bond and the request for suspension, customs will officially detain the shipment for 10 working days. Customs can extend the time limit for another 10 working days as necessary. During this time limit, IPR holders can take samples of the goods to determine whether the goods infringe their rights.
- If customs find trademark infringement based on verification, they can impose a fine of up to VND 500 million (approximately USD 21,800 as of September 2021). Customs will also confiscate the infringing goods for destruction.

## AUTHOR BIOGRAPHIES



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