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## INSIDE

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### New finds this week

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### Contact

**Uyen NGO** (Ms.)  
Legal Assistant

**Mr. Nguyen Hoa Binh** Co-  
Founding Partner



# New finds this week

By Uyen Ngo, Nguyen Hoa Binh, et al.

## NAVIGATING TRADEMARK CHALLENGES IN VIETNAM'S OEM EXPORT MARKET

### Overview

The production of goods featuring trademarks that are either identical or confusingly similar to those of other entities for export purposes has emerged as a contentious issue within the realm of intellectual property (IP). In Vietnam, the practice of producing goods with foreign trademarks under the Original Equipment Manufacturer (OEM) model has gained significant traction in recent years. This involves foreign companies entering into contracts with local manufacturers to produce goods that bear their trademarks for export.

However, a critical concern arises when the trademarks used on these exported goods are identical or similar to trademarks that are already registered in the domestic market. This situation raises a complex question: does the use of a trademark that closely resembles an existing one in the production of goods for export constitute a violation of IP rights, particularly when these products are not sold within the domestic market?

Legal practices in Vietnam present multifaceted perspectives on this issue that are important for stakeholders, especially IP rights holders. DAITIN & ASSOCIATES aims to provide an in-depth analysis of the relevant legal aspects surrounding this topic, along with valuable insights to help IP rights holders understand potential risks and adopt effective measures to safeguard their rights in an increasingly globalized environment.

### Controversies In Trademark Use For Entrusted Processing In Vietnam

Judicial practice in Vietnam reveals that the determination of whether the act of affixing a trademark by an entrusted party in a processing relationship constitutes "trademark use" is a subject of ongoing debate. Historically, Vietnamese rulings did not recognize the affixing of a trademark by the entrusted party as "trademark use". However, there has been a noticeable shift towards a more objective and comprehensive evaluation of this action. Factors such as the purpose of use, the potential for consumer confusion, and the overall impact on the market are now taken into account.

It is important to understand that "trademark use" extends beyond merely affixing a trademark to a product. The context of use, including its purpose and potential implications for the market, plays a crucial role in this determination.

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To minimize the risks associated with intellectual property rights during export processing activities, the entrusting party should consider the following strategies:

- **Review Processing Entrustment Agreements:** Ensure that these agreements clearly define trademark use, the scope of use, and the responsibilities of all involved parties.
- **Engage in Trademark Monitoring:** Proactively search for, file applications for, and challenge the validity of any potentially conflicting trademarks.
- **Stay Informed on Legal Developments:** Regularly update knowledge of changes in relevant laws to effectively safeguard interests.

By following these steps, parties can better navigate the complexities of trademark use in export processing.



### Assessing Damage in Trademark Infringement Cases

The question of whether damage is a necessary component of trademark infringement remains a subject of debate within Vietnam's judicial practices. This ambiguity leads to inconsistencies and potential unfairness in the application of trademark law. It is not entirely conclusive that trademark infringement always necessitates proof of actual damage; conversely, it cannot be definitively claimed that damage is an essential condition for establishing trademark infringement.

The assessment of whether damage should be considered a constitutive element of trademark infringement should be made on a case-by-case basis, taking into account the nature of the infringing act and the extent of the resultant damage. To enhance their chances of success in enforcement actions, intellectual property rights holders are advised to compile evidence that demonstrates the damages they have incurred as a result of trademark infringement.



### Impact Of Exported Goods On Domestic Trademark Rights

The use of a licensed trademark for manufacturing goods intended for export generally does not infringe upon the exclusive right to use that trademark within the domestic market. Several key arguments support this perspective:

- **Territorial Principle of Trademark Law:** Trademark rights are typically territorial, meaning that the exclusive right to use a trademark is confined to the area where it is registered. Consequently, the application of a trademark in international markets usually does not impact the rights held by the trademark owner domestically.
- **Distinctive Function of the Trademark:** Utilizing a trademark on goods for export does not create confusion among consumers in the domestic market regarding the origin of those goods. As a result, it does not detract from the trademark's ability to serve its role as a source identifier.
- **Right to Prohibit:** The application of a trademark to exported goods does not undermine the registered trademark's capacity to retain its distinctive function in future uses. Thus, it does not damage the rights of the trademark owner to prohibit unauthorized use.

However, there are notable exceptions to this general principle: In an increasingly globalized trade environment, the strict application of the territorial principle may need to be reconsidered. If a trademark owned domestically has established a significant reputation internationally, its use abroad can potentially impact its standing in the domestic market. In situations where such use may confuse domestic consumers regarding the origin of the goods, it can be viewed as detrimental to the exclusive rights of the trademark. In these instances, adjustments to legal policies may be necessary to safeguard the interests of trademark owners.



### **Conclusion**

While Original Equipment Manufacturer (OEM) export processing activities offer numerous economic advantages, they also present potential legal challenges concerning intellectual property rights infringement. This risk is particularly acute when the trademark on exported products bears a resemblance to or is identical to, a trademark that is registered domestically. The issue extends beyond mere product labeling and encompasses a range of intricate factors, including the intended use, the likelihood of confusion among consumers, and the overall impact on market dynamics.

Consequently, trademark owners must exercise vigilance and adopt a proactive stance. A thorough understanding of intellectual property law, continuous monitoring of legal developments, and the implementation of preventive measures—such as registering trademarks in export markets—are essential. Additionally, it is imperative to conduct comprehensive reviews of OEM contracts and seek specialized legal counsel. These strategies serve as protective measures to safeguard business interests within the context of an increasingly integrated global economy.

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# DAITIN & ASSOCIATES

Lawyers and Consultants

## Contact

*Please contact Daitin & Associates if you require any further information or guidance in the procedures of acquiring, protecting intellectual property rights in Vietnam | Cambodia | Laos | Myanmar | Thailand | Philippines | Brunei | Indonesia.*

[info@daitin.com.vn](mailto:info@daitin.com.vn) | [www.daitin.com.vn](http://www.daitin.com.vn)