1. Overview: Textile Industry in South-East Asia

The textile industry in South-East Asia has always been a rapidly growing industry sector. The region is a very important source of clothing manufacturing and the general manufacturing of textile products. This is due to the convenience of low manufacturing costs, hand making skills, the availability of materials and fabrics, and the existence of traditional textile manufacturing skills in many South-East Asian countries.

Together with the classic textile production, there has also been a growth in the use of technology by producers and suppliers of textile and finished goods in the South-East Asian market in recent years.

The textile industry in South-East Asia offers many promising business opportunities to European SMEs, as garments are one of ASEAN's largest exports. The textile industry is still growing in the majority of South-East Asian countries, with the fastest growth rates registered in Vietnam and Cambodia. Furthermore, Thailand has traditionally been strong in textile manufacturing and has now set its sights on becoming a fashion hub for the ASEAN region as its textile and garment exports to other ASEAN countries have been steadily growing for the past few years. Similarly, the Indonesian government is committed to preparing several incentives in a bid to boost the textile sector and make Indonesia one of the top five global textile exporters.¹

South-East Asia has been the production hub for many European companies which export apparel and accessories back to the European Market. At the same time, South-East Asia offers market opportunities for European products as European design is becoming more well-known in the region. Singapore, for example, has become Asia's second fashion capital, offering a variety of high-

end international brands. As Asian consumers are becoming more affluent and cities like Bangkok or Kuala Lumpur are more established in the fashion world, opportunities for European SMEs in the region will grow.

The below statistics were obtained from Textile Outlook International.

<table>
<thead>
<tr>
<th>COUNTRY</th>
<th>QUICK FACTS</th>
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</thead>
<tbody>
<tr>
<td>Cambodia</td>
<td>Textile and clothing exports rose by 12.3% since 2015, reflecting the increase in employment and the number of factories in the Cambodian Textile Industry. High demand has been created by outsourcing of manufacturing activities from foreign brands producing in Cambodia and selling in other foreign markets.</td>
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<tr>
<td>Indonesia</td>
<td>Textile and clothing exports fell by 4.0% in 2015, and from January-June 2016, exports were 1.8%. The domestic demand for clothing has also weakened.</td>
</tr>
<tr>
<td>Malaysia</td>
<td>Textile and clothing exports rose by 7.9% in 2015 and since 2016, exports were equal to 5%. Sales of Malaysian textiles and clothing went down sharply from January-May 2016.</td>
</tr>
<tr>
<td>Philippines</td>
<td>Clothing exports declined by 21.9% in 2015 and during 2016 were down by a severe 42.6%, reflecting the decline in the sales in the EU market.</td>
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<tr>
<td>Thailand</td>
<td>Textile and clothing exports fell by 8.1% in 2015, and were down by 6.4% in 2016. This fall reflected the decline in the exports to the major markets, including China, the EU, Indonesia, Japan, Laos, Malaysia, the Philippines, Singapore, the USA and Vietnam.</td>
</tr>
<tr>
<td>Vietnam</td>
<td>Textile and Clothing exports increased by 9.9% in 2015 and during 2016 were up by 5.6%. This increase was spurred by a strong growth in the sales of Vietnamese textiles and clothing in the EU, Japanese and US markets and they reflect a strong growth in the textile and clothing production in the country.</td>
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In addition to apparel, textile machinery is very relevant in this sector, where sometimes complex technology and innovation may require the combination of multiple components to operate. For instance, producing thread in different designs or a variety of patterns on fabrics requires advanced technology and in competitive markets, such as those of South-East Asia, it becomes necessary to protect such technologies.

This guide addresses different IP issues relevant for the textile Industry and its subsectors, such as textile machinery, yarns and fabrics, finished fabrics and brand apparel and accessories. This guide will present different and relevant types of IP for this industry such as patents, trade marks, copyright, trade secrets and industrial designs and will discuss how these IP rights shall be protected. This guide also includes practical tips for EU SMEs establishing or expanding their business in South-East Asian countries. IP is considered as a bundle of rights.

2. Issues Concerning Industrial Designs

In relation to the textile industry, industrial designs protection should be an important component of an SME’s IP strategy as designs themselves are key assets of the company. Textile design involves the process of creating or designing knitted, woven or printed fabrics or surface ornamental fabrics and the aesthetic aspects of an article. An industrial design may consist of three dimensional features such as the shape of an article, or two dimensional features such as patterns, lines and colours. Therefore, an industrial design is the aspect of a useful article which is ornamental or aesthetic.

By protecting an industrial design, the owner is ensured an exclusive right against any unauthorized copying or imitation by third parties. The owner can typically exercise this negative right for 5 years with the possibility of renewal, up to a maximum of 15-25 years depending on the particular national law in South-East Asia. The time period for such protection may vary from country to country. In addition to this, in most South-East Asian countries, an industrial design must be registered in order to be protected under industrial design law and, as a general rule, in order to be registered, the design must be ‘new’ or ‘original’. What constitutes its novelty or originality may differ from country to country and the registration process also varies from country to country.

Designs should be novel in order for them to be protected as industrial designs in the majority of South-East Asian countries. However, what is considered ‘novel’ may differ among these countries. In most South-East Asian countries, public disclosure of the design before the first filing of the application for registration will prevent the applicant from obtaining industrial designs protection as the novelty is deemed to be lost in such circumstances. However, some South-East Asian countries such as the Philippines, Indonesia and Cambodia offer a grace period, during which the applicant’s own public disclosure will not invalidate an industrial design registration. This grace period is 6 months in the Philippines and Indonesia, and 12 months in Cambodia. Therefore, European SMEs should carefully check such requirements and local laws of the relevant countries before conducting business in these countries in order to ensure that their applications for registered design protection will succeed.

Before entering a new market, it is relevant for the SMEs to understand the importance of protecting their industrial designs. SMEs investing in other countries need to protect their intellectual property in advance.

By protecting an industrial design, the owner of the design is given a right against its unauthorized copying or imitation by third parties. In other words, the owner of a protected industrial design shall have
Despite new and existing laws on industrial designs, it has been observed that copying and “Knock-offs” of successful designs are a common practice in this industry. For instance, copying the design and shape of the machinery and its components ultimately misleads consumers, who then associate or affiliate the knock-off product with the original products. This becomes a big setback for SMEs who establish their business in South-East Asian countries, as they face losses in sales. Therefore, it is important for the SMEs to protect their textile machinery by filing for a design application.

Considering Local Rules

When entering new markets, EU SMEs are recommended to consult with local experts to understand the local rules. In South-East Asia, it is important not to assume, without verification, that local rules will be similar to those in their home country or even in the target market’s neighbouring countries. This often occurs in situations where the IP strategy is decided abroad or based on IP rights created outside the new market. Knowledge of the local rules and the extent to which local rules can be applied can maximise effectiveness of IP protection and avoid future problems.

As a result, local registrations would be required, either as domestic registrations or under the Hague System (available in Brunei, Cambodia, and Singapore). The benefits of industrial designs registrations are:

1) Exclusive rights for the owner to prevent others from making, using, selling, or distributing the design without the owner’s permission;

2) The enforceability of design rights; and

3) Increased business value and pricing of the product bearing the registered design.

It is recommended that applicants consider and/or undertake the following prior to submitting their design application:

1) Identify registrable subject matter and evaluate the need for IP protection.

2) Maintain secrecy, including through confidentiality agreements, should disclosure be necessary (e.g. to secure funding) before filing the design application.
3) Remember that most countries operate on an “absolute novelty” and “first-to-file” IP system.

4) The confidentiality of a new invention should be maintained as long as possible until a design application date has been obtained.

5) Check design databases for prior art and monitor your competitors’ activities.

6) Check the registrability of the design with a local IP agent/attorney.

Industrial Design rights are usually enforced in a court of law, generally by the owner of the industrial design according to each country’s applicable law. The remedies and penalties vary from country to country and could include civil (injunctions to desist from an infringement, payment of damages, etc.), criminal, or administrative penalties.

For more information on industrial design protection and enforcement in South-East Asia, please refer to our ‘Guide on Industrial Designs Protection in South-East Asia’ available here.

3. Considerations concerning Copyright

Copyright is very relevant and is always worth considering for the textile and apparel industry as a way to protect a company’s assets. Copyright can exist over various items such as operating manuals for textile machinery, apparel designs, catalogues, product pictures, brochures, and website content. SMEs sometimes tend to neglect these elements, but this may ultimately result in unwanted loss and an inability to handle direct infringement (e.g., their apparel designs are copied and content from the website is stolen). As such, EU SMEs should focus on protecting themselves against imitators and free-riders by emphasising copyright protection in their IP strategy.

Specifically, in the event that two-dimensional fabric or wallpaper pattern applications for industrial design are rejected because they are not exclusively applied to a specific article or they have lost novelty, SMEs can seek protection for those product lines under the copyright regime. It is an effective tool and often cost-efficient recordal to obtain a proof of ownership. The surface pattern of a textile or design for rugs may fall into the copyright’s aesthetic and originality consideration and be regarded as an artistic work. Thus, it is subject to copyright protection. Although in most South-East Asian countries, copyright arises automatically once the work is created, the best practice in this scenario is to voluntarily record it with the relevant local agencies as soon as possible. In doing so, SMEs will obtain an official document to prove legitimate ownership. This can facilitate future enforcement actions, such as evidence of rightful copyright ownership before customs to seize imported infringing apparel bearing the copyrighted design, or to relevant agencies to remove the infringing copy of a sewing machine manual on the Internet.

It should be noted that in Brunei and Singapore, copyright voluntarily recordal is unavailable as it is generally considered redundant since both countries are signatories to the Berne Convention.

As a general rule, it is advisable that the author’s name and the date of creation or first publication be displayed on the tangible form (including on the digital format of the subject). SMEs are strongly encouraged to include a copyright notice on their website and relevant marketing materials. Having a conventional disclaimer such as “All rights reserved,” “All text, logos, and designs are ©2017 (Company’s name)” is a good way to inform the public about the company’s copyright. SMEs can also use a more direct approach so as to appeal more to South-East Asia web users: “Do not copy, modify, or distribute any texts, photos or designs without the prior written permission of (Company’s name).” To intentional infringers, this will demonstrate the SMEs’ awareness of their copyright and intention to take action should their copyright be infringed. To unintentional infringers, it is a reminder that copying the SMEs’ content is illegal.

Additionally, the artistic nature of a design may allow it to be protected under the copyright system in spite of the fact that the design has been successfully registered in South-East Asian countries. As such, the overlap of copyright and industrial design protection regimes can result in cumulative protection, meaning that certain SMEs’ designs can be considered an industrial design as well as a work for art.

When the two regimes are compared side by side, as for two-dimensional designs, the copyright regime wins out against registration protection. Although the penalty thresholds for copyright infringement are usually lower than those of an industrial design infringement, a copyrighted work has a prolonged term of protection and is protected throughout the world in many countries which are signatories to the Berne Convention. Moreover, the copyright system provides sufficient grounds to combat illegal copies of a design in the physical world as well as grounds to deal with online infringement.

European SMEs should also bear in mind that in some countries like Malaysia and Singapore, products cannot be simultaneously protected by copyright (which can also protect the appearance of products) and registered industrial design. In these countries, once the design is registered as an industrial design, it loses copyright protection. In the case of Malaysia, European SMEs could make a choice as to whether they wish to rely on industrial design or on copyright to protect their designs should the design qualify for both types of protection. This is particularly relevant for the sector of the textile industry focused on creating new fabrics. Obtaining design patents could take 7-12 months, which might not always be ideal for seasonal designs.
In the case of Singapore, however, where the design is registrable, all steps should be taken to register it. Otherwise, neither copyright protection nor registered design protection are available when the design is industrially applied and exploited commercially.  

Textile Machinery – Protecting the Contents of Operating Machinery Manuals

When technical manuals to operate machineries are created in a medium such as a book or an optical disc, they can be considered a literary work protected under the copyright regime. It is recommended that SMEs register their manuals as soon as they are presented in tangible form. A manual created in a physical form such as a book or an electronic manual should be circulated in small numbers to employees. If financially possible, it is advisable that SMEs implement technological protection for their e-manuals to limit the possibility that they be shared or downloaded. SMEs can periodically search the internet using a search engine for unique parts of their content, such as a short sentence on how to operate machinery, to identify and take action against online infringers.

For more information on copyright protection and enforcement in South-East Asia, please refer to our ‘Guide to Copyright Protection in South-East Asia’ available at http://www.southeastasia-iprhelpdesk.eu/sites/default/files/publications/Copyright_english.pdf

4. Considerations concerning Patents

New textile machinery inventions are created on a regular basis. Recently, a novel prewasher was invented to maximize the removal of surface contaminants. It uses a vertical counter-flow arrangement which optimizes the use of water and energy. Similarly, some new fabrics and production methods could be patented. Companies that manufacture innovative textile machinery or use innovative production methods should apply for patents in South-East Asian countries to protect their products from being copied. A patent provides protection for the invention, meaning that the invention cannot be commercially made, used, distributed or sold without the patent owner’s consent. Patent rights are enforceable in courts, and obtaining patent protection is therefore a crucial aspect of business in the modern global economy.

Possessing a portfolio of patents implies the SMEs’ innovative leading position and generally reflects a company’s technical superiority in the field. Filing applications for patents is not just a safety measure to protect the SMEs’ intangible assets, but is also a part of a healthy business strategy as the company can pursue a proactive licensing strategy to maximize royalty revenue from patents.

In order to be eligible for patent, the invention must satisfy and meet all three of the following criteria: novelty, non-obviousness, and industrial applicability.

As a crucial requirement, it is very important for EU SMEs to be aware of the differences in the criteria of maintaining novelty in South-East Asia. An invention is generally deemed “novel” if it has never been publicly disclosed by any means. However, exceptions where a disclosed invention is still considered to be novel (such as a ‘grace period’) will vary between countries. In Singapore, the disclosure of an invention was due to the inventor displaying it at an international exhibition. In this case the applicant state will not destroy the invention’s novelty if the patent application is filed within a period of 12 months from the date of disclosure, but the grace period for the same exception is only 6 months according to Vietnam’s regulations.

Because of a patent’s nature as a territorial right, exclusive rights are only enforceable in the country in which a patent has been filed and granted. Therefore, SMEs cannot be content with a grant of patent in one country if their plan is to expand to numerous countries. There are various international patent prosecution routes which serve to provide SMEs with various options for registration, resulting in the need to implement a strategy that can work within the SMEs budget.

and development plan. The cost of patent prosecution from pre-filing steps to the receipt of the certificate of registration along with legal consultation, as well as capital reserves to acquire any pre-existing patent, should be taken into consideration. As patent prosecution and examination often takes many years, SMEs should prepare a detailed plan before filing an application in various countries to make sure that their rights are properly protected internationally. It is important to consider advantages and possible disadvantages of each prosecution route, the types of patents available in the various countries and their terms of protection.

SMEs should also bear in mind the principle of priority when it comes to multiple countries filing at the same time. Almost all South-East Asian countries are signatories to the Paris Convention for the Protection of Industrial Property, so priority can be claimed through this Convention. The priority date is important for the purpose of determining novelty of an SMEs invention. If SMEs apply for protection for the same invention in other Paris Convention countries within twelve (12) months following the priority date, the filing date of the first application is considered to have priority over future applications of others after that date. These applications will then be considered as if they had been filed on the same day as the first application. The novelty is still maintained even if a third party has the same idea, discloses it and files an application after the priority date.

SMEs that expand quickly to various countries at the same time should take into consideration the PCT registration route, which requires only one application in English instead of filing a series of national applications, which is cost-effective.

EU SMEs shall be also aware of the possibility to protect their patent through the ASEAN Patent Examination Co-operation (ASPEC), a regional patent work sharing program involving 9 of the 10 IP Offices in the ASEAN Member Countries (only Myanmar is not yet involved).

Utility Models or Simple/Petty Patents

In some countries, besides invention patents, an invention can be protected as a simple patent (Indonesia), petty patent (Thailand and Laos) or utility solution (Vietnam). Despite the difference in name, they are all an exclusive right granted for an invention, which allows the right holder to prevent others from commercially using the protected invention without the right holder’s prior consent. The conditions for registration of utility models are usually less stringent (usually no inventive step is required), hence the procedure for registration is faster, and acquisition and maintenance fees (as well as the term of protection) are generally lower than those applicable to invention patents.

Having an invention protected as patent means the original and innovative ideas are protected under the law. Once a patent on the machinery or technical methods has been obtained, SMEs can prevent anyone from copying their patented work without the owners’ permission. SMEs can also require compensation for wrongful use of their ideas. Patent protection is extended on a first-come, first-served basis in every South-East Asian country. In other words, the first person to register a patent gets control of the invention. If someone stole an idea and patented it before the SME could, the SME could contest the patent in court, but it could be a difficult case to win.

SMEs need to have a thorough knowledge of patent lifecycles, and what happens after the expiry of a patent to harness the commercial benefits of the invention during the time they have monopoly rights. Once a patent expires, the protection ends, and an invention enters the public domain; that is, anyone can commercially exploit the invention without infringing the patent. Many businesses will usually launch similar products, very often innovating on the product to increase its quality and/or lower the price of the products to serve the same purpose. SMEs looking to retain their exclusiveness may file for a second generation patent after the original patent expires.

SMEs may give permission to, or license, other parties to use the invention on mutually agreed terms. SMEs may also assign the rights to the invention to someone else, who will then become the new owner of the patent. It is advisable to check for any national sub-requirements for a license or an assignment agreement to be effective, e.g. registration the contract with state agencies.

Patent Protection for Textile Machinery

EU SMEs should also consider patent protection for their textile machinery when relevant to their businesses.

SMEs entering a new market must first conduct preliminary research of machinery or methods that have already been registered to avoid infringing an existing competitors’ patents when they import technologies or apply methods from foreign countries. Failure to do so may result in mechanical apparatuses being seized at the border or the company being fined by administrative authorities for unauthorized use of a patent.

Companies that manufacture textile machinery should apply for patent protection in South-East Asia, not only because it is a market in which to sell machinery, but also to defend against potential infringers who manufacture infringing technology which is exported to other markets from South-East Asia.


5. Considerations concerning Trade Secrets

When properly implemented and managed, trade secret protection can be very cost effective and enjoys an indefinite term of protection so long as the confidential information remains a secret.

To control the number of people who have access to the information SMEs can include a confidentiality or non-disclosure clause within employee contracts covering the duration of employment, and if
possible, even after termination of employment. It should also be of paramount importance to ensure that confidentiality agreements are signed with business partners whenever disclosing confidential information. In addition to these measures, trade secrets can be also a suitable way of protecting assets in the textile industry.

In order to protect modifications, improvements and customization of the production chain from twisting to dying, weaving as well as finishing, SMEs must consider trade secret in their protection strategy.

For instance, it takes a lot of skill and knowledge to produce threads, which are further woven into fabrics, as various textile technologies are put together to produce the fine results and then finally sell the products to the consumers. Thus, the process from finding a silkworm cocoon that produces such super fine silk filaments and then turning it into a fine thread for fabrics is worth protecting through the use of trade secrets in the form of know-how and processes.

Additionally, SMEs operating in the textile industry might encounter situations in which, while dealing with their manufacturers, distributors or retailers, they would have to disclose their new designs of patterns and fabrics. It is therefore important for SMEs to have a contract including confidentiality or non-disclosure clauses regarding the scope of permitted use of the trade marks and new designs. For instance, the contract could include a clause stating the supplier should take appropriate steps to protect the secrecy of the new designs, both with its employees and when dealing with third parties. On termination of the service or partnership, all leftover production and any records relating to the designs, patterns, and samples of fabrics must be returned to the original owner.

SMEs shall become familiar with the relevant laws of each country in relation to trade secrets in the countries where they are operating their business. From time to time, consultation with local experts about the laws and other trade secret-related matters increases the ability of SMEs to make IPR informed decisions in order to protect their assets.

For more information on trade secrets protection and enforcement in South-East Asia, please refer to our ‘Guide to Trade Secrets Protection in South-East Asia’ available at http://www.southeastasia-iprhelpdesk.eu/sites/default/files/page_pdf/EN_Trade_Secrets_201704.pdf

6. Considerations concerning Trade Marks

As the constantly changing market poses new challenges to SMEs, and as client’s demands are both rising and shifting, it becomes necessary to build and implement a strong branding strategy to start with.

Strong brands have missions, purposes and deliver a consistent experience to customers. In order to foster a strong brand, SMEs will need to develop an organisational structure and distinguish themselves in the market by using trade marks and building a trade marks portfolio.

Trade mark registration provides SMEs with the exclusive right to prevent others from marketing identical or similar products bearing an identical or a confusingly similar mark to their trade mark. Once protection is established through successful registration, SMEs will be able to prohibit competitors from:

1) Affixing the mark to their goods or packaging;

2) Stocking or selling goods bearing the mark, or supplying services under the mark;

3) Importing or exporting goods under the mark; or

4) Using the mark on business papers, websites and in advertising.

Trade mark rights are also territorial, meaning that trade marks are protected only in the countries where they are registered. In other words, a successful registration in Singapore does not translate to protection in Cambodia or vice versa.

It is a good rule of thumb to make the trade mark easy to read, write and remember. SMEs need to eliminate any negative connotations from their own language in potential exporting markets and also in local languages.

SMEs are strongly recommended to check a trade mark’s availability prior to starting the filing process. If the SME’s mark is identical or similar to a registered one, the application will be rejected causing unnecessary loss of time and money to the company. This can be prevented by performing a prior search to check availability.

SMEs should clearly identify all the products and services to be associated with the trade mark and aim to be reasonably over-inclusive rather than under-inclusive. It is also advisable that SMEs monitor the published trade mark applications through a trade mark watch service by a local agent so that the opposition to similar trade marks can be timely filed, should the need arise.

In case of infringement, SMEs can enforce their trade mark rights through four main avenues: criminal prosecution, administrative action, civil litigation and customs seizure. Each avenue has its own advantages and disadvantages and should be implemented with respect to the current situation and the SMEs’ need.

Trade mark registration is a necessary prerequisite to the enforcement of exclusive rights, especially for SMEs. Trade mark applications should be filed promptly following the approval of the Board.
For more information on trade mark protection and enforcement in South-East Asia, please refer to our ‘Guide to Trade Mark Protection in South-East Asia’ available at http://www.southeastasia-iphelpdesk.eu/sites/default/files/publications/EN_TM.pdf.

7. Additional Considerations for the Textile Industry in South-East Asia

a. IP Licensing

With reference to the specificities of the textile industry, licensing occurs when manufacturers of fabric, yarns, or machinery retain ownership of their intellectual property rights and authorise another party to use their IP rights under certain conditions regulated by written provisions. Here, a party (the licensor and intellectual property rights owner) and another party (the licensee who is authorized to use such rights) enter into an agreement in exchange for payment. Such agreements are used broadly to seal business deals, such as merchandising deals, where a trade mark or particular pattern or design is printed on a consumer product. They are also used during import deals, where a business partner is granted a license to trade in a particular country.

Licence agreements should contain a clause stating that the licensors can monitor and inspect the licensee company’s activities. Such clauses are helpful as they not only identify the parties who have permission to use the licensed rights, but also set security procedures which help avoid the misuse of IP assets.

EU SMEs entering the South-East Asian market, planning to expand an existing business or looking to improve the quality of their goods or services to enhance their market position could consider licensing intellectual property rights. Although licenses have varying degrees of legal recognition and protection in different South-East Asia countries, these are still some general guidelines worth considering.

Types of Licence Agreement

SMEs must be mindful of the kinds of licence agreements available which may suit their needs. There are several options, and the decision depends on the long-term strategy of the business. The choice further depends on the time period for which the SME wants to make an arrangement, and how much freedom they want to give their partners to exploit their rights.

SMEs should identify whether they want to grant their partners an exclusive license, a non-exclusive license or an exclusive license with reservations (the latter would allow SMEs to exploit the IP in parallel with the licensee in South-East Asia).

i) Exclusive License – In this legal framework, the licensee is the only party that is given the right to use, manufacture, sell or distribute technology, products, content, or other licensed assets in a particular territory. Under this type of agreement, only the licensee can exploit the IPR. A term specifying whether the license grant is exclusive or non-exclusive must be expressly included within the terms and conditions in a trade mark license agreement under some local laws within South-East Asia (e.g. Thailand and Vietnam). In the case of exclusivity, it is very important to define the territory of exclusivity as this would restrict the SMEs right in some circumstances. EU SMEs shall be cautious in granting exclusive right to the right licensee and shall consult with their trusted lawyers in this respect.

ii) Non-Exclusive Provisions – This type of license allows the licensee to exploit IPR, but does not prevent the licensor from exploiting the rights itself or from licensing the same IPR to other third parties. The royalty rates in such agreements are usually less or may have a lower fixed fee than an exclusive or sole license since each licensee may have to compete with other licence holders. Many local laws in South-East Asia countries require the terms of the licensee to be clearly specified in the agreement, or the agreement cannot be
registered with the local Department of the Intellectual Property Office, which is usual a requirement for the validity of the license agreement (for instance in the case of Thailand and Vietnam).

In relation to copyright, a non-exclusive license will usually have the benefit of allowing the copyright owner to grant a license for the copyrighted work to as many persons as the licensor deems appropriate. For a patent license, the law normally does not state whether exclusive or non-exclusive license provisions must be included in the patent license. Therefore, the parties involved should come to an agreement on this term. Again, local advice should be obtained on these points.

iii) Sole Licence - This type of licence allows both the parties (licensee and the licensor) to exploit the relevant IPR to the exclusions of all others.

EU SMEs should be mindful that licensing agreements must clearly state that the ownership of all IP rights contained in the products belong to the company. The agreement must also clearly identify the product being licensed, and the permissible uses thereof. If access to confidential information is granted under the circumstances, efforts must be taken to include a confidentiality agreement to ensure protection.

It is also important to provide for the terms and conditions of the termination of the license, providing for instances when there is a misuse of the product. General circumstances that should be encompassed in a licensing agreement include bankruptcy, material breach, insolvency, etc. Also, the license agreement must clearly set forth the fee payable and the manner and frequency of payments. In some instances, support services may be separately chargeable, so this must be clearly set forth in the licensing agreement. There should also be clarity on the fees to be paid for upgrades on the product. Appropriate clauses may likewise be added to ensure that any liability for loss or damage will not be borne by the company, although the effect of such disclaimers may be limited in some jurisdictions.

SMEs must also bear in mind the different restrictions found under local laws of South-East Asian countries. For instance, in Singapore, ‘tie up’ clauses contained in a contract are void. ‘Tie-up’ clauses prohibit the termination of the contract even after the expiration of the patent rights. In such contracts, the patent owner is extending the monopoly in excess of the term of his/her patent. Under the Singapore Patents Act, any contract for the supply of a patented product or licence to work a patented invention may be terminated to the extent that the contract or licence relates to the product or invention, at any time by either party, giving the other party three months’ written notice, notwithstanding that the contract prohibits such a termination. As another example, in Vietnam, it is prohibited to include clauses in the contract that directly or indirectly restrict the licensee’s ability to export goods produced or services supplied under the industrial property object license contract to the territories where the licensor neither holds the respective industrial property right nor has the exclusive right to import such goods.

b. Dealing with online sellers

It is a common practice nowadays to advertise or market or directly sell textile products online. Therefore, SMEs may face challenges posed by online infringement. For instance, some companies sell counterfeit goods online that are similar to the original brand either locally or overseas. This could be done from local websites, social media pages, or other websites such as eBay or Alibaba. However, for such infringements many South-East Asian countries provide a “Complaint Desk” where the designated authorities can take immediate action against the infringer and most of the time will successfully remove the infringing items when notified. Sometimes, a “Demand Letter” or “Cease and Desist Letter” requesting that the infringers stop using the infringing brand name or their selling infringing products can be sent.

Where a website features infringing content, the SME may be able to take action with the help of the ISP provider. The ISP can write a warning letter to the infringers in order to influence them to stop selling the counterfeit items online.

For more information on how to take action against online infringements, please refer to our guide ‘How to Remove Counterfeit Goods from E-Commerce Sites in South-East Asia’ available here.
8. SMEs Case Study

**Case study 1**

**Background**
In 2015, the company presented a new product branded the ‘X-Comb’ to be used in the manufacturing of fabric during the ‘combing’ process of textile production specifically to filter out short length fibres. This would result in the production of higher quality fabrics. The SME attempted to register the trade mark ‘X-Comb’ under Class 7 for Textile machine components, namely combs. They wanted to register the trade mark in many different countries including Germany, Columbia, India, Japan, and Vietnam. To this end, the SME sought to register the trade mark in multiple countries at once under the Madrid Protocol.

**Outcome**
Although some countries allowed the mark to progress to registration (such as Colombia, Egypt and Iran), others refused to register the mark (including the Republic of Korea, Syria, and Vietnam). The reason for refusal given by the Trade mark Office in Vietnam (‘NOIP’) was that ‘the trade mark does not have a distinctive character’ under Art. 74.2 (a) and (c) of Vietnam Intellectual Property Law.

**IP Lessons**
The distinctiveness requirement in Art. 74.2 is very clear. The trade mark ‘X-Comb’ uses a very common phrase to denote the good which is widely and regularly used, and is known to many people (i.e., using the word ‘comb’ to describe the combing component of textile machinery). The use of combs and combing mechanisms in textile machinery is widely known, therefore if a trade mark is a generic name for its applied-for goods and/or services, the trademark will be unlikely to be considered distinctive, and possibly refused registration.

If the trade mark were to use a common word which is in no way connected to textiles or the textile industry, this may be enough to be distinctive. For example, as a trade mark ‘tmt Birdie’ is registered by the NOIP in the same class (07, textile machines and apparatus – this trade mark was registered in relation of a mechanism which threads yarn onto textile machines. Because the words in the trade mark (‘tmt’ and ‘Birdie’) have no meaning or relevance to the goods, they would not be used widely or regularly by people in the industry. Therefore, this mark is considered distinctive while ‘X-Comb’ was not and the trade mark was not granted in Vietnam and other jurisdictions.

SMEs are recommended to consult with local IP experts to understand the requirement of distinctiveness and how this is regarded in the country of their interest.
Background
A French SME ('the Claimant') has registered a trade mark in Vietnam and a few other countries. The trade mark features the logo of the Claimant’s French apparel line. While this trade mark was owned by the Claimant in most countries, in 2006, the Claimant licensed a Korean company ('the Respondent') to manufacture and sell products featuring this trade mark in Korea. In 2009, the Claimant assigned the trade mark registration in Korea to the Respondent. The Respondent outsourced production of its products bearing the trade mark, and as a result many products bearing the Claimant’s trade mark are produced in Vietnam. However, they are not to be sold within Vietnam and are instead exported back to Korea for sale.

In 2016, the Claimant asserted that the Vietnamese manufacturers and producers were infringing the trade mark. The Respondent objected to this claim.

Outcome
The first point alleged by the Claimant was that the Respondent and manufacturers had imported infringing clothing labels bearing the Claimant’s trade mark into Vietnam. On this issue, the Department of Science and Technology of Vietnam ('DOST') ruled that there was no infringement, as the trade mark was sewn directly onto the package the goods arrived in and so there was no ‘use’ of the trade mark to constitute an infringement.

The second point alleged by the Claimant was that the products being manufactured in Vietnam were bearing a counterfeit trade mark. The DOST found that the labels on the goods used a logo form of the Claimant’s trade mark, whereas in Vietnam the trade mark was only registered in the form of a word. Finally, the Claimant could supply no evidence that any authentic goods had been sold in Vietnam or to Vietnamese consumers and therefore there was no counterfeit element.

IP Lessons
Sewing and printing directly onto goods constitute an essential process of manufacture, not an independent action. Because this action is not independent, it may not be considered the ‘use’ of a trade mark. Where there has been no use, there may be no infringement. As the trade marks were attached to goods solely intended for exportation and not for domestic sale in Vietnam, the action of manufacturing goods for export does not constitute an infringement. However, care should be taken with this rule, as any sale in Vietnam or, more broadly, to a Vietnamese consumer would constitute an infringement. This includes sales that the Respondent is unaware of. If the Claimant could have proven such a sale and established that there was a reasonable likelihood of confusion between the goods, the Claimant would likely have had grounds to sue for infringement.
9. Take-Away Messages

- SMEs shall identify their IP assets and protect their rights through registrations when selling or manufacturing in South-East Asian countries. This shall be part of a comprehensive strategy as it can prevent EU based companies from infringing other parties' rights in new markets and can also prevent potential infringers from producing goods bearing those marks and introducing them into the market.

- When substantial market potential is identified for their goods and services, SMEs should, without waiting, register their trade mark immediately. As generally only registered trade marks are protected in South-East Asia, and due to the length of time required to obtain trade mark registrations in South-East Asian countries, SMEs shall start registering their trade marks before selling their products into the market to minimise the risk of bad-faith registrations.

- SMEs shall take advantage of available copyright recordal mechanisms in some South-East Asian jurisdictions to facilitate proof of authorship and ownership, especially in the case of enforcement actions.

- SMEs shall carefully identify the essential parts of their inventions and protect them under patents.

- A non-disclosures agreement (NDA), or confidentiality agreement shall be used, particularly when specific IP or other confidential information is involved in either the negotiation stage of a deal, or after a partner has been selected for business dealings. This is also part of a strategy to protect trade secrets and know-how.

- SMEs shall always make sure to state terms clearly in their contracts while doing business with any third parties such as suppliers, distributors, partners, etc., in order to regulate and authorise the use of their IP.

10. Glossary of Terms

- ASEAN - the Association of South-East Asian Nations is a regional organisation comprising ten Southeast Asian states which promotes intergovernmental cooperation and facilitates economic integration amongst its members. Since its formation on 8 August 1967 by Indonesia, Malaysia, the Philippines, Singapore, and Thailand, the organisation’s membership has expanded to include Brunei, Cambodia, Laos, Myanmar, and Vietnam. Its aim is accelerating economic growth, social progress, and sociocultural evolution among its members, alongside the protection of regional stability and the provision of a mechanism for member countries to resolve differences peacefully.

- Licensor – a party or entity that grants a license to manufacture, sell, distribute, use to someone else.

- Licensee – a party to whom a license to manufacture, sell, distribute, use is legally granted.

- Tie-up Clause - The clause for which one party, when selling its products or services, as a practice includes a mandatory addition to the purchase of an additional product or services. They are often known as ‘tying sales’. It makes the sale of one good bound on the condition of the purchase of a second good. When the products are not naturally related to each other or where the sales are made on conditions, this clause is considered illegal in the majority of legal systems.

11. Related Links and Additional Information


- Visit the country factsheets of each South-East Asia countries – http://www.southeastasia-iprhelpdesk.eu/en/country-factsheets

- Visit other publications at South-East Asia IPR SME Helpdesk website – www.ipr-hub.eu

- Visit the Helpdesk blog http://www.yourIPinsider.eu related articles on IP in South-East Asia and China
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The South-East Asia IPR SME Helpdesk provides free, confidential, business-focused advice to European Small and Medium Enterprises (SMEs) relating to Intellectual Property Rights (IPR) in South-East Asia.

Helpdesk Enquiry Service: Submit further questions to the Helpdesk via phone, email (question@southeastasia-iprhelpdesk.eu) or in person and receive free and confidential first-line advice within three working days from a South-East Asia IP expert.

Training: The Helpdesk arranges training on South-East Asia IPR protection and enforcement across Europe and South-East Asia, tailored to the needs of SMEs.

Materials: Helpdesk business-focused guides and training materials on South-East Asia IPR issues are all downloadable from the online portal.

Online Services: Our multi-lingual online portal (www.ipr-hub.eu) provides easy access to Helpdesk guides, case studies, E-learning modules, event information and webinars.

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