



Intellectual Property Protection in Vietnam

I. OVERVIEW

Despite Vietnam's accession to the Agreement on Trade Related Aspects of Intellectual Property Rights ("TRIPs"), protecting and enforcing intellectual property rights remains a problem in Vietnam. A broad range of counterfeit products continue to be sold in the Vietnamese market, including garments, accessories (e.g., sun glasses, hand bags, etc.), food products, wines and spirits, cosmetics, pharmaceutical products, computer software, vehicle spare parts, engine lubricants, electro-mechanical products and consumer electronics. Counterfeiters in Vietnam are becoming more sophisticated in their methods and practices, as well as in their use of counterfeiting technology to produce counterfeit products that are easier to pass off as genuine products to Vietnamese consumers.

Equally troubling is the apparent attitude of Vietnamese retailers toward selling counterfeit products. According to a recent Nielsen survey, a significant number of retailers in both Hanoi and Ho Chi Minh City openly admit that they are benefitting significantly from the sale of counterfeit products. In fact, many say they expect the business of trading in counterfeit products to grow, and many plan to continue selling counterfeit products in the years to come. The same poll showed that Vietnamese consumers, though aware of the poor quality of counterfeit products, continue to buy them mainly because of the lower price. Sometimes, Vietnamese consumers are also unable to differentiate between counterfeit and genuine products. Overall, Vietnamese retailers and consumers seem to lack sufficient awareness that counterfeiting not only results in the delivery of low quality and, in some cases, dangerous products to Vietnamese consumers, it has also been shown that the trade in counterfeit products often funds various criminal activities.

Recommendation: Relevant Vietnamese governmental bodies should increase their efforts to raise awareness among both Vietnamese businesses and consumers about the value of protection for intellectual property rights (hereinafter referred to as "IPR"). In particular, strong protection for IPR serves as an incentive for many European and foreign companies to research and develop their products further, thereby benefitting consumers in the long run. Also, the Vietnamese public must be made more aware of the dangers of counterfeit products with regards to safety (spare parts) and health (pharmaceuticals, wine and spirits). On the legal side, sanctions for selling counterfeit products must be increased and rigidly enforced in practice as a deterrent to counterfeiting activity.

II PROTECTION OF TRADE MARK APPLICATIONS/REGISTRATIONS

1. Decisions of NOIP on trademark infringements: The National Office of Intellectual Property ("NOIP") continues to issue very questionable decisions on whether one trademark infringes another. This situation, which often arises in the context of opposition and cancellation proceedings, is especially troubling for research-based pharmaceutical companies whose popular and well-known trademarks are systematically imitated by some Vietnamese manufacturers of pharmaceutical products. In many cases, those manufacturers simply manipulate or change a few letters in another party's registered trademark to "create" their own "new" marks. This situation requires the real trademark owners to incur considerable costs attempting to prevent and/or cancel the registration of marks that should have been refused registration in the first place. Moreover, in some cases, the NOIP does not sufficiently consider evidence that a trademark application has been filed in bad faith. This may be the case where an applicant has a history of (i) filing applications that imitate the trademarks of other companies, (ii) imitating another company's product packaging or (iii) simultaneously filing multiple applications for marks each of which closely imitates a mark of



another company. In many jurisdictions outside of Vietnam, such behavior is compelling evidence that the applicant is trying to trade on the good will of another party's trademark.

Recommendation: The NOIP should issue more reasonable decisions on "confusing similarity" in trademark opposition and cancellation proceedings. Such decisions should reflect in detail all relevant facts and circumstances so that the parties can understand the reasoning underlying the decision. The NOIP should be more critical of filings in "bad faith".

2. Decisions of NOIP on opposition proceedings: Under current Vietnamese law, oppositions to trademark applications are permitted. However, the opposer's arguments and supporting documents are treated as mere "evidence" on the issue of registrability of the challenged trademark. The NOIP can therefore still deny the opposition, even in cases where, for example, an applicant who has filed its application in "bad-faith" does not respond to the opposition. Trademark applicants seeking to exploit another party's trademark will often file multiple applications for confusingly similar marks. Applications that are filed in bad faith often mature to registration without the applicants ever having to defend the registrability of any of the challenged trademarks, even when their applications are opposed. This puts the real trademark owners at a significant disadvantage.

Recommendation: Applicants for trademarks should always be required to defend their trademark applications in response to oppositions. The NOIP must look closer into the issue of multiple filings in "bad faith".

III. ENFORCEMENT OF INTELLECTUAL PROPERTY RIGHTS IN VIETNAM

Vietnam's Intellectual Property Law ("IP Law"), Civil Code, Commercial Law, Law on Competition and related implementing legislation together provide a reasonably good legal framework for protecting intellectual property rights. However, legal rights are only as good as the ability of the IP owner to enforce them. In this regard, Vietnam still falls short in a number of respects. The following issues need the Government's attention:

1. Justifiable Administrative Raid Action: Under Article 211 of the Amended Intellectual Property Law 2009, IPR owners can request administrative sanctions if an act of infringement causes "damage to consumers, society, the author or the IPR owner". The burden of proof is placed on the IPR holder to prove such damages prior to launching an action. No guidance has been issued on the meaning of "causing damage". It is not clear whether actual loss needs to be proved or whether a likelihood of causing loss is sufficient; whether damage can be inferred from consumer confusion or whether actual physical/fiscal damage must be shown. Without this guidance, it will not be clear when an IPR holder can pursue administrative action against infringements of its IPR.

Recommendation: Drafters of the legislation should look to more established jurisdictions for assistance on this complex issue prior to issuing detailed guidance and in any event before the Law becomes effective on 1 January 2010.

2. Criminal Liability : Only a few criminal cases involving IPR have been brought to trial in the last two years. The Amended Penal Code was passed by the National Assembly on 19 June 2009 and will take effect on 1 January 2010. Article 170a provides a criminal penalty of up to VND500,000,000 (US\$28,000) or a non-custodial reform of up to two years "against the violation of the copyright or related right on a commercial scale". Article 171 provides the same penalty for "wilful infringements of industrial property rights over trademarks or geographical indications on a commercial scale". It is encouraging that the amended provisions are in compliance with Vietnam's obligations under the TRIPS, but it is unclear



when a copyright/trademark infringement will be viewed as “on a commercial scale”. Without any guidance, the administrative authorities will lack the confidence to recommend a case for criminal action and the criminal courts, in turn, will be hesitant to impose maximum fines.

Recommendation : In order to avoid confusion, detailed guidance on the definition of “commercial scale” should be issued prior to enactment of the Law on 1 January 2010. It is recommended that “commercial scale” apply to situations where an infringement has been carried out either for “profit making purpose” or when the scale of the infringing activity is above a certain level; such level to be defined practically, with differing levels depending on the type of infringing goods/services involved.

3. Insufficient raid actions due to a lack of resources and cooperation between agencies: Although there are various administrative authorities who are competent to handle copyright infringement and carry out raid actions, there is insufficient co-operation between these authorities. Further, an unintended consequence of rapidly changing laws are that the enforcement authorities lack the financial resources, manpower, expertise, knowledge and confidence to deal with unusual cases. This shortage of experience within the enforcement authorities makes it impossible for them to keep up effective enforcement. The authorities are now hesitant to take action unless the case involves straightforward counterfeiting for fear of facing a counterclaim from the infringer.

Recommendation: We recommend that the Government ensures that systems are introduced nationwide to enhance coordination between the relevant authorities. The National Steering Committee for Anti-Counterfeiting, Trade Fraud and Anti-Smuggling which was set up in 2001 has been ineffective in bringing together the different authorities and ensuring that they coordinate their activities. In order to ensure a more effective body with the power to influence the authorities, it is essential that the Committee be lead directly by the Government and the Prime Minister.

4. Improved mechanism for the allocation of the State Budget for enforcement: Enforcement authorities currently lack the resources necessary to carry out enforcement actions. Enforcement authorities are funded by the State Treasury which allocates funds in accordance with annual budgets. Due to limited budgets however, authorities have insufficient resources to conduct investigations or carry out raid actions. Our understanding is that when one of the enforcement authorities imposes an administrative fine against an infringer, the money paid pursuant to the fine imposed does not go to the enforcement authority, but goes to the State treasury instead. Therefore, such fines cannot be used to fund future enforcement actions.

Recommendation: It is recommended that fines paid by infringers go into a special account which will only be used to fund future enforcement activities. In addition, the enforcement authorities could charge owners of IPR a fee to carry out enforcement actions, *provided* that the fees are (i) reasonable, (ii) published, (iii) applied consistently and in a non-discriminatory manner and (iv) be documented by a receipt.

IV. RESOLUTION OF DOMAIN NAME DISPUTES

Speculative and abusive registration and maintenance of <.vn> domain names remains a problem in Vietnam. This mainly takes the form of (i) Vietnamese or foreign individuals or organizations registering <.vn> or domain names that contain or closely imitate the trademarks of European and other foreign companies or (ii) a Vietnamese or foreign company continuing to maintain a <.vn> domain name after its license or business relationship with the trademark owner expires or is terminated or (iii) the registrant may point



the domain (or threaten to point the domain name) to a derogatory website. In each case, the registrant often acts in “bad faith”, seeking to exploit the good will of the foreign party’s trademark and/or seeking to extort a payment from the trademark owner and/or trying to benefit the trademark owner’s competitor.

According to Article 130 (d) of the Intellectual Property Law of Vietnam (“IP Law”), the foregoing activities constitute acts of “unfair competition” for which an aggrieved party may initiate a lawsuit in Vietnamese court. Meanwhile, Circular No. 10/2008/TT-BTTTT Dated 24 December 2008 (Circular 10”) provides a basis for challenging another party’s ownership of a <.vn> for which an aggrieved party may seek relief under Circular No. 9/2008/TT-BTTTT (“Circular 9”), which states that domain name disputes shall be resolved through (i) informal negotiations or conciliation, (ii) arbitration, or (iii) civil proceedings in Vietnamese court. However, these options for resolving domain names disputes are problematic because in the absence of an agreement to negotiate or arbitrate the domain name dispute (which is often the case), the aggrieved party has no choice but to file a formal action in a Vietnamese court to recover the domain name. This can be a time consuming and expensive process.

Recommendation: We recommend revising the law to provide a procedure for prompt and effective resolution of domain name disputes. For example, requiring the owner of a <.vn> domain name, as a condition for registration and maintenance of the domain name, to agree to submit all disputes regarding the domain name to a tribunal such as the World Intellectual Property Organization (“WIPO”) would provide the parties with a prompt and effective means of resolving disputes over domain names that are alleged to be violating one of the party’s trademark rights. Alternatively, Vietnam could develop its own procedure for settling <.vn> domain name disputes (similar to WIPO’s Uniform Domain Name Dispute Resolution Policy (UDRP)) which could be set up to allow parties to a domain name dispute to participate in Vietnamese as well as English and/or another widely used foreign language.

V. LIABILITY OF INTERMEDIARIES FOR COPYRIGHT INFRINGEMENT

Vietnamese law needs to be clearer on the issue of when and under what specific circumstances intermediaries such as Internet Service Providers (“ISP”) will be liable for copyright infringement. On the one hand, the Law on Intellectual Property provides that conduct constituting copyright infringement includes “duplicating, producing copies of, distributing, displaying or communicating a work to the public via a communications network or digital means without permission from the copyright holder.” (see Article 28, paragraph 10) However, certain provisions of the Law on Information Technology, including, for example, Article 16 and 17, appear to exempt ISPs and possibly others from liability for certain acts, such as the transmission of copyrighted subject matter over their networks, or storage of copyrighted subject matter on their networks. Accordingly, it appears that service providers will not be responsible for copyright infringement in respect of copyrighted subject matter that is transmitted over or residing on their networks, despite their knowledge of the same, unless (i) they themselves initiated the transmission of the information; (ii) they themselves proactively selected recipients of transmitted information; or (iii) they proactively selected and modified the content of the transmitted information. ISPs and others must remove infringing content only where they are so requested by competent authorities. There is no provision pursuant to which a copyright owner may notify an ISP of an act of copyright infringement and procedures by which an ISP must remove infringing subject matter following such notice. The lack of appropriate provisions on the liability of service providers with respect to copyright infringement taking place over their networks makes it difficult for copyright holders to protect their rights over the internet. Such a deficiency is inconsistent with Vietnam’s treaty obligations, including Article 41 of the TRIPS Agreement, which requires member countries to create a procedure that permits effective enforcement actions against intellectual property infringements.



Recommendation: The Law on Information Technology and related Vietnamese laws should be amended to provide for liability of ISPs and others for copyright infringement in certain situations, for example, when they continue to engage in the transmission or storage of copyrighted subject matter even after notice by the IPR owner. Such amendments could be similar, for example, to corresponding ‘safe harbor’ provisions of U.S. law with adjustments appropriate for Vietnam. Compliance with such ‘safe harbor’ provisions could exempt service providers from liability for acts of copyright infringement that take place over their networks in certain circumstances and will provide them with incentives to co-operate with copyright owners to prevent or stop online infringement of copyrights. This will also help prevent the possible abuse of discretion by state authorities in taking enforcement action against online infringements, especially when they do not have sufficient knowledge to deal with copyright infringement in the sophisticated context of the digital world.

VI. PROVISIONS REGARDING TECHNOLOGICAL PROTECTION

The Intellectual Property Law prohibits persons from circumventing technological protection measures to obtain access to copyrighted works. The aim of this prohibition is to protect holders of copyrights against persons who circumvent such protection measures for the purpose of copying. However, the wording of the current legislation is so broad as to cover even public interest users who might wish to make fair use of copyrighted works.

Recommendation: The Intellectual Property Law should include a clear definition of “technological protection measures”. It should also include a specific provision that allows circumvention of technological protection measures for limited purposes under certain specifically defined circumstances in the following cases for example: circumvention by libraries and education institutions for specific acquisition purposes; reverse engineering in order to develop interoperable computer programs; circumvention for encryption research conducted in good faith; circumvention in order to protect children from harmful content on the Internet; circumvention of technological protection measures in order to protect personal privacy; and circumvention of technological protection measures for the purpose of security testing.

VII. PROTECTION OF IP RIGHTS IN VIETNAMESE COURTS

1. Court Proceedings: Though provisional remedies are available under the law, obtaining such relief in a practical, effective and expeditious way is very difficult if not impossible: Under Vietnamese laws, a formal court action must be commenced and “accepted” by a Vietnamese court before such remedies as seizure of counterfeit goods and evidence of infringement can even be sought from the court. In practice, preparing and submitting a complaint in a form that will be accepted and acted on by a Vietnamese court can be very onerous and tedious due to the requirement that complaints be supported by evidence that has been notarized and/or legalized (in a foreign country). Meeting such onerous formal requirements can often take months, making it virtually impossible for owners of intellectual property rights to act quickly to protect themselves against counterfeiters who are often capable of “suspending” or “hiding” their illegal activities at the slightest hint action is being taken against them.

Recommendation: The Civil Proceedings Code should be revised to permit an owner of intellectual property rights to expeditiously seek and obtain provisional relief on the basis of proof of ownership of the intellectual property rights in question and, for example, a “sworn declaration” of the alleged facts or other a lower threshold of evidence. Further, such provisional relief should not be subject to a notarization/legalization requirement. Simple



copies of ownership documents should be accepted initially by the court, subject to the submission of certified copies within a reasonable period of time thereafter.

2. Education of judges in charge of IP cases in Vietnamese courts: Vietnamese courts and judges often have very little experience in dealing with intellectual property disputes. However, the ability of intellectual property rights owners to enforce their rights is largely dependent on a knowledgeable and experienced Vietnamese judiciary.

Recommendation: Vietnam should take steps to expedite the training of more Vietnamese judges in intellectual property matters. Training on the determination of compensation for damages together with the calculation of damages is also essential for civil judges. Further, the Vietnamese Government should consider establishing specialized tribunals to handle IP matters.

VIII. STRENGTHENING IP ASSESSMENT ORGANISATIONS INCLUDING THE VIETNAM INTELLECTUAL PROPERTY RESEARCH INTITUTE (“VIPRI”)

IP assessment organisations including The Vietnam Intellectual Property Research Institute (“VIPRI”) under the Ministry of Science and Technology are able to assess claims of intellectual property rights infringement in Vietnam. Owners of IP rights can now obtain an IP assessment conclusion on a perceived infringement and include the assessment conclusion in a cease and desist letter to the infringer(s), as well as use such conclusions to enlist the assistance of IP enforcement authorities such as the Market Management Department (“MMD”), the Economic Police as well as Vietnamese Customs.

Recommendation: While the establishment of IP assessment organizations such as the VIPRI are a positive development, they need to be staffed with a sufficient number of well-trained and experienced professionals who are capable of considering all of the facts of a case and issuing well-reasoned conclusions in writing and in sufficient detail so that the parties can understand the reasoning underlying the conclusions.