

Vietnam

Improved IP rights enforcement: benefits for IP rights owners and business

The Vietnamese legislation on the protection of IP rights is mainly contained in the Intellectual Property Law (November 29 2005). This law, along with other related laws such as the Civil Code 2005, the Penal Code 1999, the Competition Law 2004, the Customs Law 2001 and the Information Technology Law 2006, forms a clear legal framework for the protection and enforcement of IP rights in Vietnam. It is a framework that is seen by IP rights owners, IP practitioners and observers as compatible with international rules in the IP area.

However, despite having relatively advanced legislation for IP rights protection, the enforcement of IP rights in Vietnam remains weak and poses a major problem for IP rights owners. To improve the enforcement of IP rights and address certain issues arising from technological advancements, on June 19 2009 the National Assembly of Vietnam promulgated the Law on Amendments and Additions to the IP Law (36/2009/QH12), and the Law on Amendments and Additions to the Penal Code 1999 (37/2009/QH12), both of which take effect on January 1 2010.

This chapter examines the amendments and changes introduced by the two new laws and their implications for the establishment and enforcement of IP rights in Vietnam.

Amendments regarding establishment of IP rights

Change in scope of application of first-to-file principle

Under the 2005 law, the first-to-file principle is applied to determine priority where more than one application is filed by different applicants for:

- the same invention;
- industrial designs identical to or insignificantly different from each other; or
- marks that are identical or confusingly similar to each other in respect of identical or similar goods or services.

Accordingly, only the application with the earliest

priority date or filing date among all the applications that satisfy the requirements for protection will be granted a protection title. However, in examining patent and trademark applications, the National Office of Intellectual Property (NOIP) also applies the first-to-file principle in cases where more than one application is filed by the same applicant for the same or equivalent patents or for identical trademarks in respect of the same goods or services. Although this application of the first-to-file principle is reasonably based on the principle that one IP right shall be granted only one form of protection, it may cause controversy because there had been no provision guiding this procedure. The amended law provides resolution to any controversy by including this application of the first-to-file principle.

Extension of time limits for substantive examination of applications

In general, an application for registration of an invention, trademark or industrial design will undergo two stages of examination: a formal examination to determine the correctness of the application documents and a substantive examination to determine the patentability or registrability of the said IP objects. Under the amended IP Law, although the time limits for formal examination remain unchanged (ie, one month from the filing date), the time limits for substantive examination have been extended as follows:

- In respect of patent applications, the time limit has been increased from 12 months to 18 months from the publication date or filing date of the request for substantive examination;
- In respect of trademark applications, the time limit has been increased from six months to nine months from the publication date; and
- In respect of industrial design applications, the time limit has been increased from six months to seven months from the publication date.

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Although the extension of these time limits may be considered a step backwards, it is necessary to ensure the quality of examinations as the number of IP applications submitted to the NOIP has rapidly increased, causing a backlog of applications.

However, because these changes appear to be unfavourable to applicants, an increase in the number of applications filed before the effective date of the amended IP Law (ie, January 1 2010) is expected.

Moving back timing for determining prior use rights for inventions and industrial designs

Vietnam is a member of the Paris Convention. To ensure that the timing of prior use rights for inventions and industrial designs is compatible with Article 4B of the Paris Convention, the amended IP Law provides that this moment must be the filing date or priority date (if any) of the application for registration of such invention or industrial design, instead of the publication date thereof as provided in the 2005 law. Accordingly, a person shall enjoy the right of prior use of an invention or industrial design which is identical to a protected invention or industrial design, respectively, if it has, before the filing date or priority date of the application to register the later invention or industrial design, used or made necessary preparations to use the former invention or industrial design. However, the use of such invention or industrial design must be within the same scope and volume of use or preparation made before the filing date of the application for registration of the later invention or industrial design.

Extension of copyright protection for certain works

The duration of protection of copyrights in respect of cinematic, photographic, applied art or anonymous

works shall be extended to 75 years (compared to 50 years under the 2005 law) from the date of first publication of the works, or 100 years from the date on which the cinematic, photographic or applied art work was formed if such work is not published within 25 years of its creation (compared to 50 years under the 2005 law). This change is the result of the application of the national treatment principle provided in the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs) and the Bilateral Trade Agreement, to which Vietnam is a member. Accordingly, copyrights in all works enjoy equal protection, whether owned by Vietnamese people or foreigners. This change also fits in with the worldwide trend to increase protection durations for those works which do not enjoy lifetime protection. As a result, the newly extended protection durations are nearly equal to the lifetime of a person (according to the World Health Organisation, the average Vietnamese person lives for around 70 years).

Amendments regarding IP rights enforcement

IP rights infringement remains a burning issue in Vietnam. In line with the development of the economy, IP rights infringements have increased in terms of both the number and the complexity of cases, with those relating to trademark rights the most common. As reported by the NOIP at a seminar held in April 2009, there were 258 IP rights infringement cases for industrial rights in 2007 and 415 in 2008, and 2,227 IP rights infringement cases for trademark rights in 2007 and 2,268 in 2008. In 2008 there were a total of 2,766 IP rights infringement cases, nearly 300 more than in 2007.

IP rights infringements in Vietnam have caused serious damage for IP rights holders. For example,

according to Tra Vu Hoai, vice president in charge of international cooperation at Unilever Vietnam, Unilever Vietnam loses up to \$10 million each year due to imitation, counterfeiting and trade fraud, of which 10 per cent to 15 per cent has been carried out abroad.

As provided in the 2005 law, depending on the nature and extent of such infringement an IP rights infringer may face civil, administrative or criminal penalties. In appropriate cases, competent authorities have the right to apply provisional measures, IP-related control measures with regard to imports and exports, and preventive measures. Further, the competent authorities shall ensure that administrative penalties are provided by the law. The competent authorities (ie, the courts, specialised inspectorates, market management agencies, customs offices, police agencies and the People's Committees at all levels) have been making efforts to deal with IP rights infringements in accordance with the prevailing laws. However, in recent years the effect of enforcement attempts remains limited. One of the main reasons for this is the inadequacy of the legislation. Some provisions of the amended IP Law and the amended Penal Code, as analysed below, are designed to address such inadequacies.

Amendments relating to administrative remedies

Under the IP Law 2005, monetary fines in respect of administrative remedies shall not exceed five times the value of the infringing goods. This penalty is impractical and causes problems in application. In many cases the amount of monetary fines applied as an administrative remedy is low because the value of the counterfeits actually seized, which serve as the basis for the penalty, is small, and therefore the fines seem insufficient to discourage infringers from recidivism. In addition, the levels of monetary fines provided in the IP Law 2005 do not match those provided in the Ordinance on Dealing with Administration Offences (the maximum level of a monetary fine is VND500 million – about \$30,000). In order to overcome these issues, the amended IP Law provides that the levels of administrative remedies applicable to IP rights infringements shall be those set out by the Ordinance on Dealing with Administration Offences.

Amendments relating to criminal remedies

In regard to criminal infringement of an IP right, the Penal Code 1999 provides that the following shall be subject to criminal penalties:

- persons who infringe IP rights for business purposes, causing serious consequences; and
- persons who have already been punished administratively for IP rights infringement or have already been sentenced for an IP rights infringement

crime, or who continue to commit such crimes.

The amended Penal Code revised the elements of the above mentioned crimes. In respect of the criminal infringement of copyrights and copyright-related rights, a crime is committed where the infringing use is carried out on a commercial scale without the authorisation of the copyright or copyright-related rights holder. In respect of the criminal infringement of industrial property rights, a crime is committed where the infringement is carried out intentionally on a commercial scale. Under the amended provisions the concept of 'on a commercial scale' is used to maintain compatibility with the respective provisions of the TRIPs and the Bilateral Trade Agreement.

Regarding criminal remedies, the amended Penal Code narrows the scope of acts infringing copyrights and copyright-related rights in comparison with the 1999 Penal Code. In particular, the provision now relates to only two kinds of action:

- copying protected works or phonograms; and
- distributing to the public copies of the protected works or phonograms.

In addition, the amended Penal Code provides that only trademarks and geographical indications can result in criminal remedies following IP rights infringements, while the 1999 Penal Code also covered other IP objects such as inventions, utility solutions and industrial designs. This amendment is designed to avoid the possibility of criminalisation of civil and commercial disputes, as well as to make the national provisions compatible to those of TRIPs and the Bilateral Trade Agreement.

Another important amendment relates to the applicable penalties. To encourage people to respect the laws preventing and targeting crimes, the amended Penal Code increases the ranges of penalties applicable to criminal IP rights infringements. The monetary penalty for main remedies has been increased from between VND20 million and VND200 million (approximately \$1,200 to \$12,000) to between VND50 million and VND500 million (approximately \$3,000 to \$30,000), and a new penalty of between VND400 million to VND1 billion (approximately \$2,400 to \$60,000) has been added. The monetary penalty for additional remedies has been doubled, increasing from between VND10 million and VND100 million (approximately \$600 to \$6,000) to between VND20 million and VND200 million (approximately \$1,200 to \$12,000). However, the penalties of non-custodial reform of up to two years or imprisonment of up to three years remain unchanged.

Developments in inspection and assessment of IP rights

As required under the 2005 law, since November 2006 the NOIP no longer carries out the inspection and assessment of IP rights for the purpose of dealing with infringements, such as providing expert opinions on IP disputes and infringements. The law requires that this task must be carried out by an independent agency. Unfortunately, in the absence of such independent agency, for almost three years IP rights owners could not seek expert opinions for cases or disputes, as were previously issued by the NOIP. This has caused difficulties and delays for the resolution of disputes and violations relating to IP rights.

The Vietnam Intellectual Property Research Institute (VIPRI) was established on May 24 2007 as an independent agency under the 2005 law, although it only recently became active. As announced by the VIPRI, it started to provide expert opinion services from July 15 2009. The VIPRI has been licensed to provide the

services of inspection and assessment of IP rights in disputes or infringements and related issues in accordance with the IP legislation. Its services cover a wide range of IP rights, from patents, industrial designs, trademarks and geographical indications to lay-out designs for semiconductor integrated circuits. The VIPRI will provide services at the request of the government or related parties in IP rights infringements or disputes.

Conclusion

IP rights protection plays an important role in the international integration of Vietnam and is a key factor in attracting foreign investment to Vietnam. Therefore, the consolidation of the country's IP system through improved legislation, as well as the effective enforcement of IP rights, will not only encourage the creation of intellectual property, but also create more favourable conditions for the development of the country's economy.



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