

Vietnam

Contributing firm
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Vietnam is one of the fastest-growing markets in the global healthcare industry. According to a 2009 report published by Business Monitoring International Ltd, there are approximately 57,000 pharmacies in Vietnam, equating to 6.6 outlets per 1,000 people – a high figure for a developing country.

However, the same report highlights the common practice of prescription drugs being issued without a prescription, despite this being unlawful. Apparently, only between 20% and 30% of patients buy prescription medication with a prescription. Moreover, a shortage of qualified pharmacists, coupled with low consumer awareness of intellectual property, allows the counterfeit market to flourish and increases the risk of lookalike products being confused with the famous brands being copied.

Vietnam's legal system has changed dramatically over the past decade to

conform to the standards required by the World Intellectual Property Organisation and IP laws have undergone continuous improvement. With the implementation of the Amended Intellectual Property Law 2009 on January 1 2010, Vietnam now boasts a comprehensive body of legislation covering the protection and enforcement of IP rights.

Despite this theoretically tight body of law, poor implementation, lack of clarity in enforcement provisions and a lack of expertise on the part of the enforcement authorities mean that rights holders still face many challenges when trying to protect and enforce their rights.

Selection, clearance and registration

There are no special provisions under the IP Law governing the registration of pharmaceutical trademarks.

Entering the market is relatively easy, due to recent administrative reforms. The production, distribution and circulation of pharmaceutical products are controlled by the Drug Administration of Vietnam (DAV)

under the Ministry of Health (MoH). Pharmaceutical products (with limited exceptions) must be registered with the DAV.

One of the requirements to support an application to register a pharmaceutical product with the DAV is evidence proving that the proposed product name does not infringe any third-party rights. Such evidence can take the form of a search report from the National Office of Intellectual Property (NOIP) confirming that the proposed product name is not confusingly similar to an earlier mark(s) on the NOIP's registry. Under current practice, the NOIP does not provide trademark search services. An exception is made in respect of trademark searches for goods in Class 05 (pharmaceuticals), provided that the entity requesting the search notifies the NOIP that the trademark search is required in support of a submission to the DAV. This search usually takes between two and four months to complete.

Alternatively, an entity may submit to the DAV as evidence a trademark registration certificate protecting the proposed product name. Given that it

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usually takes at least one year for a trademark application to proceed to registration, this may result in delays to the relevant entity’s business plan. To overcome this, the DAV will accept a notification of formal acceptance of the trademark application issued by the NOIP instead of a registration certificate.

Vietnam complies with the World Health Organisation’s recommendation that a proposed product name not be identical or confusingly similar to international non-proprietary names (INNs), with the DAV and the NOIP working together to prevent such registrations. The cooperation between these two bodies appears to be effective in practice, with the DAV submitting official requests to the NOIP highlighting applications for trademarks that are confusingly similar to INNs and requesting the NOIP to refuse the applications.

In Vietnam, non-traditional marks such as single colour, taste, smell and sound marks are not protected as trademarks. The NOIP tends not to protect three-dimensional marks either, unless the trademark is highly distinctive or has obtained a secondary meaning through widespread use.

Parallel imports and repackaging

In 2004 the MoH issued Decision 1906/2004/QĐ-BYT, authorising the parallel import of medicines for the prevention and treatment of human disease. All imported products must be registered with the MoH (except in the case of certain rare or special drugs).

Parallel-imported products must be sold at prices lower than those currently charged in Vietnam by the authorised distributors of the same products which have been registered for circulation in Vietnam. The shelf life of these products is between 12 and 18 months.

Often, parallel-imported products are not repackaged, as a label affixed to the packaging carrying the necessary information will suffice. The label must state in Vietnamese that the product is a parallel import and state the importer’s details. These labels must be registered with and approved by the MoH.

Anti-counterfeiting and enforcement

Various reports have been published claiming that between 1% and 8% of pharmaceuticals on the Vietnamese market in 2007-2008 were counterfeit (although those working on the ground claim that this figure is conservative).

Civil litigation in respect of IP rights is in its infancy in Vietnam and few civil cases have yet been filed in court. The outcome of any civil litigation remains uncertain and it can take one to two years for a decision to be reached. Damages and cost awards are notoriously low. The law provides for statutory damages (where the judge has discretion to award up to a maximum of D500,000 (approximately \$27,000), in the event that the complainant cannot show evidence of loss. However, there is little precedent and no real guidance on how to calculate damages and what factors to take into account. Accordingly, judges lack the confidence to award significant damages.

Administrative/criminal actions through the administrative authorities or the police remain a rights holder’s first port of call in respect of enforcement. However, as infringers are becoming increasingly sophisticated and moving away from direct counterfeiting to lookalike products, it is expected that more IP disputes will be handled by the courts, mirroring the trends in China.

The authorities are willing to assist rights holders in enforcing their rights,

but they will rarely act proactively. They are short on manpower and training and require much support from rights holders. Following up with the authorities post-raid is also vital to push for strong sanctions and full destruction of seized goods. Without a strong follow-up, the authorities may simply remove infringing marks from products and release the goods back to the infringer.

General sentencing for acts of trademark infringement and/or counterfeiting in Vietnam remains low. However, the Criminal Code provides strong sentences (from between two and seven years’ imprisonment) for those convicted of manufacturing or trading in counterfeit food or medicine. If such manufacture or trade is carried out in a “professional” or “organised manner” or “causes serious consequences”, the sentence will range from between five and 12 years. Should such an offence result in “particularly serious consequences”, the infringer could be sentenced to life imprisonment or even capital punishment. While there is no clear guidance on what amounts to “serious consequences”, we have seen a steady number of cases over the last two years where the infringers have received sentences of between three and seven years’ imprisonment for manufacturing or trading in counterfeit pharmaceuticals.

Customs

Rights holders may file a customs monitoring recordal (covering all 33 of Vietnam’s border gates) requesting Customs to detain goods which infringe IP rights. If Customs detects a consignment of suspected infringing goods, it will immediately notify the rights holder of the importer, exporter and consignment details. The rights holder then has three

days in which to inspect the consignment, confirm the status of the consignment, submit a request for the consignment to be seized and lodge a bond for possible compensation in the event that the consignment has been wrongly seized.

A customs monitoring recordal will cover all imported goods that infringe IP rights. However, only counterfeit export goods are subject to customs scrutiny and the accompanying administrative action. Vietnam has started to export pharmaceutical products, although the annual exported value in 2008 was estimated at around just \$10 million.

An IP rights database for Customs is in the pipeline, but it will require substantial resources. Customs is seeking to cooperate closely with rights holders to increase its knowledge of IP rights, enrich its database and promote its enforcement practice.

Advertising

The advertising of pharmaceutical products (and the content of such advertisements) is heavily regulated in Vietnam. Only over-the-counter (OTC) pharmaceutical products which appear on the MoH's list of non-prescription drugs and which have been registered for circulation in Vietnam with the DAV may be advertised to the public. There is a further distinction between OTC pharmaceuticals which may be advertised in print or online and those that may also be advertised on the radio or television. Only pharmaceuticals whose main active ingredients appear on the MoH's list of active ingredients (and fulfil the other criteria listed above) fall within the latter category.

The contents of the advertisement must be scientific, objective, truthful, clear and up to date. Advertisements must be in Vietnamese and the information contained in them is subject to minimum font sizes.

All advertisements (regardless of medium) for pharmaceutical products must be registered with the MoH before release.

Information on pharmaceutical products which have been registered for circulation in other countries, but not Vietnam, may be provided only to medical workers through "pharmaceutical introduction seminars" by qualified medical or pharmaceutical workers or, in certain circumstances, at fairs and exhibitions. Such information must also be registered with the MoH before dissemination.

Generic substitution

According to government statistics, Vietnam's domestic pharmaceutical

production supplied over 50% of the Vietnamese pharmaceutical market in 2008. The local generic market continues to grow strongly and the government also encourages pharmaceutical importers to import generic pharmaceuticals in an effort to reduce the cost of pharmaceuticals in Vietnam.

As is common in many jurisdictions, manufacturers of generic products in Vietnam often use names and/or packaging which is similar to the famous brand equivalents, with rights holders having to run enforcement campaigns to reduce the number of lookalike products on the market. Under the IP law, rights holders can take action on the basis of trademark infringement and/or unfair competition.

In cases dealing with lookalikes (as opposed to counterfeit products), regulations require the rights holder first to send the infringer a warning letter notifying it of the rights holder's rights before taking further action through the authorities or the courts. If the matter is not resolved through negotiation, it is possible to file a complaint with the relevant authority in the area (usually the Market Management Bureau, Economic Police or the Inspectorate) or to proceed via the civil courts. However, as discussed above, the most accessible enforcement route still lies in administrative/criminal procedure.

In practice, the enforcement authorities are not comfortable dealing with complex unfair competition cases. To give the authorities more confidence in their case, rights holders may consider approaching the Vietnam Intellectual Property Research Institute to request an expert opinion confirming the infringement to support their case. The institute (an independent government body) is still relatively new and the strength of its expert opinions has yet to be truly tested. However, it remains the only body which rights holders may approach directly for an expert opinion. Opinions from the NOIP (the most experienced IP authority in the country) on infringement cases may be sought only by the authorities.

Online issues

Vietnam is ranked as one of the top 20 countries with the most active internet users. Online pharmacies and websites advertising pharmaceutical products are numerous, with both OTC and prescription products easily available online. Cybersquatters looking to take advantage of famous trademarks by registering them as domain names are flourishing in this environment.

Vietnam's legal structure does not have

a quick or effective way of resolving disputes involving domain name infringements. The Dispute Resolution Policy of the Vietnam Internet Network Information Centre, the registry for domains ending in '.vn', makes provision for disputes to be resolved by mediation, arbitration or civil court action. The centre does not ascribe to the Internet Corporation for Assigned Names and Numbers/World Intellectual Property Organisation's Uniform Domain Name Dispute Resolution Policy. Given the voluntary nature of arbitration and mediation procedures, when negotiations between the infringer and rights holder break down, the only option is to file a civil complaint with the Vietnamese courts, which is expensive and time consuming.

Conclusion

Vietnam is sure to continue making positive progress in its efforts to develop international standard IP laws. The implementation of initiatives such as the Good Pharmacy Practice (in 2011) will also improve standards.

With its fast-growing economy and well-educated, consumer-oriented population (approximately 60% of whom are under 30), Vietnam is not a market to be overlooked. However, for the time being (and for a while to come), rights holders will need to continue investing in their enforcement programmes, supporting the enforcement authorities and lobbying for clarification of the existing laws to ensure adequate protection in this developing jurisdiction. [WTR](#)

Biographies

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Patsy Day is an associate and member of Rouse's brands team, handling a range of commercial IP and brand management matters. She started in the dispute resolution team of Rouse's London office in September 2002. Following her secondment to a major retailer in the United Kingdom, Ms Day became a permanent member of the brands team in May 2007. She spent 2009 in the Ho Chi Minh City office, where she was involved in both contentious and non-contentious IP matters. In early 2010 Ms Day returned to the UK office, where she works on commercial, design and trademark issues.