

Vietnam

Enforcing patent rights

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In general, patent infringement in Vietnam is increasing. It predominantly occurs in the pharmaceutical sector. As reported by the Inspectorate of the Ministry of Science and Technology, in each of the past few years between 10 and 20 requests to deal with patent infringement have been submitted. Most of these requests are from foreign companies such as Richter (Hungary) and Bayer (Germany).

In general, the IP Law 2005 (amended in 2009) and the Customs Law, as well as guidance on the implementation of such laws, set out an adequate legal framework for the protection and enforcement of patent rights. However, the enforcement of patent rights in Vietnam is still weak and ineffective. This is mainly because administrative penalties are not strong enough to prevent infringements and there is a lack of IP specialists working at the authorities who handle patent infringements. This deficiency means that in most cases, the authorities handling patent infringements must consult the National Office of Intellectual Property or specialist IP rights organisations such as the Vietnam Intellectual Property Institute in order to evaluate the alleged infringement, thus resulting in delays in enforcement actions.

What constitutes patent infringement?

When assessing patent infringement in Vietnam, the doctrine of equivalents is applied. Accordingly, each of the following situations constitutes a patent infringement:

- A product or component of a product is identical or equivalent to a product or

component of a product protected under the valid patent.

- A process is identical or equivalent to a process protected under the valid patent.
- A product or component of the product is manufactured via a process which is identical or equivalent to a process protected under the valid patent. Two processes shall be deemed to be equivalent if:
 - their natures are similar;
 - they are used for the same objective; and
 - the way of achieving such objective is substantially the same.

Remedies for enforcing patent rights

Law 37/2009/QH12 (June 19 2009), which amended and supplemented a number of articles of the Penal Code 1999, eliminated the examination of criminal liability for patent infringements. Rather, patent infringements are thus subject to administrative and/or civil remedies only.

Administrative remedies

According to Article 10 of Decree 99/2013/ND-CP (August 29 2013) on the sanctioning of administrative violations in the industrial property domain, which took effect on October 15 2013 and replaced Decree 97/2010/ND-CP (September 21 2010), the following infringements are subject to administrative penalties:

- selling, offering for sale, transporting, transiting, storing or displaying for sale products that infringe patent rights or products produced by a process that infringes patent rights;
- utilising products that infringe patent rights or products produced by a process

- that infringes patent rights;
- organising the production – including designing, building, manufacturing, processing, assembling and packaging – of products or goods that infringe patent rights;
- applying processes that infringe patent rights;
- importing products that infringe patent rights or products produced by a process that infringes patent rights; and
- placing orders with, assigning or hiring other parties to commit such violations.

The available sanctions consist of cautionary and pecuniary penalties. Depending on the value of infringing goods, a fine ranging from D500,000 (approximately \$25) to D250 million (approximately \$12,500) will be applied to individual infringers. Double fines of up to D500 million (approximately \$25,000) will be applied to infringers that are organisations. For each act of infringement, minimum and maximum limits are set; the applicable level will be the average fine or a fine adjusted within the limited range according to extenuating or aggravating circumstances. Extenuating circumstances are specified in Circular 37/2011/TT-BKHCN (December 27 2011), which provides guidelines for the implementation of Decree 97, and include circumstances where the infringer prevented or mitigated the harmful effects of the infringement, voluntarily remedied the consequences or provided compensation for damages. Aggravating circumstances include repeated infringements, continuous infringements and failure to apply measures to prevent or mitigate the harmful effect of the infringement.

The value of the infringing goods is determined on the basis of one of the following factors:

- the published price or the price mentioned in the purchase agreement, invoice or customs declaration;
- the price as notified by the local finance office or the current market price; or
- the cost of the infringing goods (for goods

not yet released for sale).

If these factors cannot be applied, the competent authority must issue a decision to seize the infringing goods temporarily in order to establish a price determination council.

The statutory time limit for requesting the competent authority to handle an administrative violation is two years from the date of the infringing act. The competent authorities responsible for handling administrative violations in respect of patent rights are the Scientific and Technological Inspectorate, the Customs Office and the provincial and district-level people's committees.

In connection with the administrative procedure for handling a patent infringement, the rights holder can request the competent authority to apply administrative preventive measures:

- where the infringement may cause serious damage to consumers or society;
- where there is a threat of the infringing materials being dispersed or the infringer escaping liability; or
- to guarantee the implementation of administrative penalties.

Applicable administrative measures may include:

- the temporary detention of related individuals;
- the temporary detention of the infringing goods and material evidence;
- searches of related individuals; and
- searches of places where infringing goods or material evidence is kept.

Civil remedies

Requesting the competent authority to handle a patent infringement does not bar the rights holder from suing the infringer at the competent court in civil proceedings. Civil remedies which may be applied by the court include:

- termination of the infringing acts;
- public apology and rectification;
- performance of civil obligations;
- payment of compensation for damages; and
- the destruction, distribution or use for non-commercial purposes of infringing goods, provided that such destruction, distribution or use will not cause an adverse impact on the rights holder's business.

Rights holders can claim compensation for actual damages, including both material and moral damages that are directly caused by a particular infringing act. Actual damages are incurred when:

- the aggrieved party had real material and moral interests;
- the aggrieved party had the ability to benefit from such interests; and
- there has been a decrease in or a loss of the aggrieved party's benefit or interest after the infringing act was committed, compared to the possibility of achieving such benefit or interest without the infringing act, and such act was the direct cause of the decrease in or loss of the benefit or interest.

Material damages comprise a loss of property, decrease in income and profits, loss in business opportunities, reasonable expenses for prevention of and restoration after such damages, reasonable attorneys' fees and other tangible losses. The bases for determining each kind of material damage are provided in Decree 105/2006/ND-CP (September 22 2006), which provides guidelines for the implementation of a number of articles of the IP Law, as amended and supplemented by Decree 119/2010/ND-CP (December 30 2010). A loss of property can be determined according to the decrease in monetary value of the protected invention, which can be determined based on one or more of the following:

- the price of transfer of ownership or licensing of the patent rights;
- the value of business capital contributed by the invention in question;
- the value of the patent rights as part of the enterprise's total assets; and
- the value of the investment in the creation and development of the invention, including expenses for marketing, research, advertising, labour, taxes and other expenses.

A decrease in income and profit comprises a decrease in:

- the income and profit gained from the direct use and exploitation of the protected invention; and

- the income and profit gained from licensing patent rights.

A loss of business opportunity comprises a loss of:

- the ability to use or exploit directly the protected invention in the course of business;
- the possibility of licensing patent rights to other entities; and
- other business opportunities which were directly lost as a consequence of the act of infringement.

A loss of business opportunity is calculated as the monetary value that the aggrieved party would have obtained by availing of the opportunity stipulated, but which it could not exercise because of the infringement.

Reasonable expenses for mitigating and remedying loss and damage comprise:

- expenses for the temporary custody, preservation and storage of infringing goods;
- the costs of obtaining injunctive relief;
- reasonable expenses for hiring assessment services;
- reasonable expenses for mitigating and remedying the consequences of an act of infringement; and
- the costs of notifying and correcting an infringing act in the mass media.

The competent court for hearing a patent dispute involving a foreign IP holder is the provincial-level court where the infringer resides (for individual) or has its registered address (for organisational entities).

There are some limitations and shortcomings in the handling of patent infringements through civil proceedings – in particular:

- a civil action may take more than one year, although the prescribed period is between four and six months from submission of a petition; and
- the injunctive relief provided in the IP Law is limited compared to that provided in the Civil Procedure Code. In addition, detailed guidelines regarding the execution of injunctive relief for IP rights enforcement have yet to be issued.

This explains why rights holders rarely opt to deal with patent infringement through civil proceedings.

Border control of patent rights on imports and exports

According to Circular 44/2011/TT-BTC (April 1 2011), which deals with IP rights and customs procedures, and Circular 07/2013/TT-BTC (January 10 2013), the border control of patent rights in imported or exported goods is now carried out in accordance with the IP Law and the Customs Law. Under these regulations, Customs can suspend clearance procedures for and examine suspected infringing goods. In addition, at the rights holder's request, Customs can apply the administrative penalties within its competence or notify the rights holder of the detected patent infringement in order for it to take legal action against the infringer through administrative and/or civil proceedings.

Comment

The legislation on the protection of IP rights has improved and has helped to encourage the patenting of inventions, the transfer of protected technologies and R&D activities in Vietnam. However, the government still needs to implement further measures, including improving IP legislation and increasing the number of experts involved in IP rights enforcement, so that enforcement can be conducted more effectively. *iam*

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