

The Changing Face of Enforcement in Vietnam

Over the last decade, the ability of IP rights holders to enforce their rights in Vietnam has improved greatly. **Thomas J Treutler** examines a number of key developments and the current state of enforcement practice in Vietnam, and provides some strategy tips for rights holders seeking better IPR protection.

IP rights may be enforced in Vietnam through civil, administrative and/or criminal channels. So far, administrative channels remain the most preferred channel for rights holders and practitioners due to cost-saving factors, and efficiency. In regard to civil actions, the Vietnamese court system, while taking on a more prominent role, is still immature, and courts have little experience with IP matters. However, Vietnamese authorities realize that in the future, the role of courts in IP matters will become more and more focal, and, therefore, the IP Law of 2005 attempted to transfer more authority to the courts. For example, the National Office of Intellectual Property (NOIP) no longer issues infringement opinions at the request of rights holders, as such authority should be vested in the courts.

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Administrative Actions -- Higher Fines Imposed in 2010

Under Vietnamese law, infringers may be fined up to five times the value of infringing goods, up to a total of approximately US\$26,500 per infringement. Despite having such fine levels in the black letter law, in the past, most administrative fines for IP infringements only ranged on average from US\$500 to US\$900. Such fine levels merely amounted to a "cost of doing business" for infringers and did not deter infringement.

However, in 2010, the Vietnamese enforcement agencies, namely, the market management authorities, have taken strident measures to increase administrative fines up to maximum levels. For example, in the spring of 2010, Ho Chi Minh City market management authorities issued fines totaling approximately US\$50,000 in the case of an infringer that produced counterfeit apparel that infringed a world famous foreign trademark. The total fine related to two infringements by the same infringer, and the fines were 4½ times the value of the infringing goods. The infringing goods were also seized in that case. Such levels of fines are unprecedented in Vietnam, and signal a "get tough" shift in the attitude of the authorities, as Vietnamese authorities are

realizing that stiff penalties are essential to reduce infringements and comply with international commitments (e.g., TRIPS, the US-Vietnam Bilateral Trade Agreement, etc.).

In addition to market management authorities, which operate under the auspices of the Ministry of Industry and Trade, the inspectorates of the Ministry of Science and Technology (MOST) and local Departments of Science and Technology remain very active in administratively sanctioning IP violations. For example, in recent years, although authority for unfair competition violations falls under the Vietnam Competition Administration Department (VCAD), it is MOST that has had a very strong track record of handling unfair competition violations (such as trade dress violations) in Vietnam. MOST has protected many rights holders who have had the "look and feel" of their packaging copied by local enterprises in the fields of food products, candy, household products, agrochemicals and pharmaceuticals.

Not only did amendments to Vietnam's IP Law in 2009 impose higher administrative fines, they also removed a troubling requirement that essentially forced rights holders to send a cease and desist letter to infringers prior to initiating an administrative enforcement action. That requirement eliminated the element of surprise in many enforcement actions, giving infringers the opportunity to destroy evidence and unload stocks of infringing products on the market before the authorities could swoop in. Now, thanks to the removal of this requirement, raid actions can be undertaken more efficiently and with greater success.

Civil Actions

Vietnam's IP Law provides a very clear basis for Vietnamese courts to handle IP cases, but the courts are still lacking in experience. That said, given the excellent legal framework and potential liability, as well as increased public awareness, corporate

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defendants are certainly wary of being brought to court for IP violations in Vietnam's increasingly sophisticated business atmosphere, where branding and added value are attributes that all local business are striving to achieve. Therefore, in recent years,

given the improvement in the legal framework, it is not uncommon for large settlements to be paid in the pre-litigation period in an infringement case. This is a major development in the IPR enforcement environment in Vietnam because up until a few years ago, even corporate defendants would largely ignore cease and desist letters because they felt that there was not much actual risk of being successfully sued for infringement. In the current environment, where IPR awareness is improving in the country among corporate entities, it is now very common for corporate infringers to come to the table to sign undertakings in which they covenant to cease infringement.

Criminal Actions

In the year 2008, Vietnam issued a key circular providing specific thresholds whereby criminal liability would kick in for IPR infringements. This circular was followed by amendments to the

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provisions on IPR violations in Vietnam's Criminal Code in 2009 geared toward increasing the ability of prosecutors to bring IPR infringers to justice. However, in practice, Vietnam has yet to impose criminal sanctions except for cases in which counterfeit products pose a direct threat to human safety, such as for counterfeit foods, spirits or pharmaceutical products.

IP Assessors – New Players in the Battle on IPR Infringements in Vietnam

In 2009, a few "IP Assessors" were finally licensed and began operations. IP Assessors are licensed organizations that are qualified to issue quasi-official or expert opinions on IPR infringements. The IP Assessors will receive requests from rights holders, review evidence, perform legal analysis, and issue opinions on potential infringements. The opinion of the IP Assessor may then be submitted to courts or administrative agencies who, while not bound to the opinion, will take the opinion under advisement when deciding whether to undertake enforcement actions or determine whether infringement has occurred. Such opinions are especially useful in cases with complex IPR subject matter that courts or administrative enforcement agencies may be reluctant to handle on their own, such as cases involving the infringement of complicated utility patents or subtle trade dress infringement cases. Without an opinion from an IP Assessor, such complex cases may languish for months or years before action is taken, but with the IP Assessor's opinion in hand, the enforcement authorities will feel much more comfort in taking expedient action.

Watch Programs

Because Vietnam is a first-to-file country, and given the fact that cancellation proceedings can be time-consuming (up to two years) and costly, it is imperative that rights holders establish programs to monitor Vietnam's official trademark gazette for potentially infringing trademark applications by third parties. Moreover, unless bad faith elements can be found, cancellation actions in Vietnam have a relatively low success rate. Therefore, it is essential to file opposition actions prior to the registration of confusingly similar applications. Market watch programs are also important in Vietnam, given the fact that IPR violations are still very



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prevalent, and general public awareness regarding IPR issues, while improving, is still not high.

Domain Name Cases

In Vietnam, it is imperative for companies to register their domain names

early for the Vietnamese national domain name system (e.g., ".vn" and ".com.vn"), because, in practice, Vietnam's laws do not adequately protect rights holders against cyber-squatters. Although Vietnam's domestic laws provide for arbitration as a mechanism to resolve domain name disputes, it is not a practical option because arbitration is not mandatory, and cyber-squatters will not, in general, agree to go to arbitration unless forced to do so. Therefore, unless the rights holder is prepared to negotiate with the cyber-squatter, the only option is a civil action. However, there have yet to be any test cases, and given the court's lack of experience, the results of a civil case would be unpredictable.

Copyright Enforcement

Vietnam's police and cultural inspectorates have stepped up their enforcement activities gradually, culminating in several large actions over the last year. For example, in March 2010, Hanoi police raided a site in the city and seized more than 30,000 pirated DVDs and 10 devices for copying DVDs. Ho Chi Minh City authorities have also stepped up anti-piracy efforts. In January 2010, Ho Chi Minh City police conducted simultaneous raids on several sites run by an alleged pirating syndicate that was said to have supplied various regions of the country and reportedly held a 50-60% share of the pirated disc market in Ho Chi Minh City. The raids netted more than 300,000 pirated DVDs and CDs.

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