

NEW LAWS BUT LITTLE ENFORCEMENT

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Five years since Vietnam joined the WTO, public awareness has increased but laws are being applied inconsistently if at all, say Thomas J Treutler and Nguyen Thi Thuy Dzung

ONE-MINUTE READ

Vietnam passed a lot of new IP laws in advance of its accession to the World Trade Organisation for compliance with TRIPs standards. This increased awareness of intellectual property and brought more infringers to negotiations with rights holders. But the law has loopholes and is being applied inconsistently, with regards to fines for instance. Prison sentences are short if applied at all. Cybersquatters are impossible to prosecute and no one wants to be the first to try a court battle. Despite significant legislative efforts, enforcement remains a challenge.

Vietnam became the 150th member of the World Trade Organisation on January 11 2007. So 2012 marks the five-year anniversary. In the years leading up to its WTO accession, Vietnam's lawmakers burned the midnight oil to draft and pass into law a flurry of new IP laws and regulations in order to bring the country's IP regime into compliance with the WTO's TRIPs standards. Legislative efforts were accompanied by bold commitments that Vietnam would effectively enforce its IP laws.

It is now a good time to look back and take stock of Vietnam's progress in meeting its international obligations, and highlight where there is room for improvement.

Infringers come to the table

Overall public awareness, and even more so, corporate awareness, of IP issues has increased. Although this is not a legal development per se, it is more significant because it results in companies being good IP citizens by not engaging in infringement, and by undertaking transactions to buy and sell intellectual property. According to most practitioners, up until the publicity surrounding Vietnam's new IP Law in 2005 and the WTO accession, most cease-and-desist letters would be cursorily glanced at by infringers and promptly discarded, with little afterthought.

Now in most instances Vietnamese infringers are willing to come to the table to discuss the infringement, face the music, and resolve the issue with the rights holder. As a result, infringers in Vietnam will now often sign commitments to cease infringement and not infringe in the future, and are willing to pay damages in some cases. Settlements in the range of \$300,000 to \$400,000 have been reached. This is a very significant development because it means that many IP disputes can be resolved by the parties involved without having to rely on administrative agencies or courts, which saves time and money for all involved. Of course, increased public awareness also means that infringement is less likely to occur in the first place.

Inconsistent fines, lenient sentences

Vietnam has rarely applied criminal penalties for intellectual property violations, and this is a clear violation of its international obligations. In general, criminal penalties have only been applied in cases involving the production or sale of counterfeit foods or pharmaceuticals that could injure or kill humans. In fact, for many years, Vietnamese law prescribed that capital punishment could apply for these violations, and criminal penalties were applied in such cases even before Vietnam joined the WTO. This limited policy is not consistent with TRIPs requirements, which mandate the application of criminal penalties for IP violations on a commercial scale, regardless of whether human injury is caused.

As a result, in 2009, Vietnam further revised its criminal code in an attempt to bring its criminal law regime for IP crimes into compliance with TRIPs. However, in order to provide a bright line for application of criminal penalties, they only apply if an infringement is valued at more than D30 million (\$1,500). This is a major loophole in the law. Most counterfeit goods are carried into Vietnam by individuals or small groups, who rarely keep or transport inventory approaching this amount. So they can't be criminally prosecuted. Serial infringers are aware of this provision of the law, and therefore simply divide up their inventory at different locations, or among various minions to avoid prosecution.

Even the few criminal cases that have been tried have sometimes paradoxically resulted in penalties that are lower than those in administrative cases. For example, in one case where a company sold fake fertiliser valued at D32 million, the case was correctly criminalised, but a fine of only D20 million was applied. In contrast, in another case where the value of counterfeit fertiliser was only D29 million, criminal penalties could not be applied, so the case was handled administratively, and yet resulted in a fine of D50 million! It is inconsistent because the minimum administrative fine levels (such as D50 million for infringements involving counterfeit fertiliser) are often prescribed at a higher level than the minimum criminal fines (only D10 million). To correct this inconsistency, Vietnam should further amend its criminal code.

In practice, Vietnam has rarely subjected counterfeiters to imprisonment, and when it has, lenient sentences have been applied. For example, there is the case of a counterfeiter who in 2009 manufactured and sold counterfeit fertiliser to many key coffee plantations in Vietnamese highlands. This is especially egregious in Vietnam because Vietnamese coffee is some of the best in the world and is a key export. This counterfeiter purchased 300 million tons of real fertiliser, then mixed in Kaolin, salt and plaster in order to increase his volume to 433 million tons. Due to the deleterious effects of the fake fertiliser, dozens of hectares of fields of coffee were scorched and destroyed, resulting in D30 billion in damage. However, the courts only sentenced the counterfeiter to 30 months in jail, despite the law providing for a minimum sentence of seven years, and a maximum of 15, due to the serious nature of the crime.

On the bright side, in 2011, it appears that Vietnam is beginning to apply criminal penalties in more cases, such as:

- Thirty months for fake MSG (repackaging Chinese MSG and selling it as Japanese MSG);
- Thirty-six months suspended sentence for counterfeit medicine;
- Fifty-four months for a repeat violation of selling thousands of bottles of counterfeit fish sauce made of water and chemicals placed in reused fish sauce bottles.

TIMELINE

- 2005**
First comprehensive Law on Intellectual Property is passed
- 2006**
Implementing regulations are issued: Decree 103, Decree 100, Decree 105
- 2007**
Vietnam becomes the 150th member of WTO;
Vietnam joins TRIPs
- 2008**
Amendments to the Law on IP are made; Criminal Code is amended, increasing the penalties
- 2009**
Implementation decrees are amended: Decree 122, Decree 97, Decree 119

While this is a positive development, these cases once again show that in reality, Vietnam tends to apply criminal law only in cases where an infringement may affect human health. The country is not yet applying its laws in other cases.

Managing
Intellectual
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Waiting for a domain name case

In recent years, Vietnam has passed a number of regulations related to domain name disputes. However, none of them adequately protect companies whose domain names are being held by a growing army of cybersquatters in Vietnam. Vietnamese law provides three options for such companies: negotiation, arbitration or civil litigation. The first two options are ineffective because most of the cybersquatters are holding the aggrieved companies over a barrel, so negotiations would not be fruitful, except for the cybersquatter. Arbitration is not mandatory, and thus cybersquatters have little motivation to submit to arbitration when they hold the upper hand in negotiations, knowing that companies are wary of venturing into Vietnam's untested courts. In the end, the only viable option for companies is indeed to go to court, but so far no companies want to be the test case for domain name disputes.

This situation is even more alarming given that the IP Law of Vietnam, adopted nearly seven years ago, provides very clearly that appropriating another's domain name is a violation of IP law. Yet this is one area where not much progress has been made, and authorities have been slow to fill in the legislative and enforcement gaps. So in many cases major foreign brands ignore the infringers and set up new, unconventional domain names in Vietnam. For example, if their website would normally be "xyz.vn" in Vietnam, but they have lost that domain name, they are simply resorting to an alternative URL such as "myxyx.vn" or "xyzonline.vn". Given the legal options, most companies have chosen not to fight this fight, especially given the fact that cybersquatters can be very clever in Vietnam, such as in one case in which the infringers gathered a group of friends whose first names each began with one letter of a major company's name, then had that group of people form a company in Vietnam with the same name as a major foreign brand. When confronted with their infringement, this group maintained that their company had the exact same name as a major foreign brand by coincidence because it just happened to be a combination of the initials of the shareholders. This twisted logic was unfortunately a successful argument for avoiding a charge of bad faith. In sum, domain names, while not perhaps falling under TRIPs requirements, is an area where Vietnam's IP regime has not yet matured.

Cases need to be publicised

The Supreme People's Court of Vietnam prints a compendium of a few dozen select cases for publication each year. This compendium, though not officially for non-court personnel, can be found in some bookstores. However, most of the cases in the compendium focus on family law and property law. Additionally, none of the decisions on oppositions, cancellations or appeals of the National Office of Intellectual Property are available, except to the parties to the dispute. So practitioners, enforcement officials and law students have no means to study precedents (even if non-binding) of how the country's laws are applied in practice. In any jurisdiction this would be a handicap in building knowledge and expertise. Could one imagine a US trade mark lawyer attempting to analyse likelihood of confusion without the luxury of having read and studied the *Kodak* or *Sleekcraft* cases? It is therefore understandable that when issues such as likelihood of confusion arise in the future, many parties, including lawyers and the bench, will struggle with the analysis of such complex issues without any guidance.

Piracy still on the rise

Although some positive attempts have been made by the government to improve the regulations concerning piracy, the reality is that Vietnam has shown little progress. Most businesses continue to use unlicensed software; the enterprise end-user software piracy was estimated at 82% in 2010. Only four raids were carried out last year pursuant to complaints made by rights holders. But no criminal case was brought as a result.

Piracy still remains at a high level, at over 90% for the music industry. Hundreds of thousands of disks have been seized, yet it makes little visible difference to the pirated product available anywhere in the country. Publishing materials are also subject to IP infringement, as many bookstores and street vendors sell illegal copies of foreign publications. The piracy level remains high because the criminal code, although amended, is still not applied in practice, due to the high thresholds and lack of enforcement resources.

The growing internet population has contributed to booming IP infringement online. According to the International Intellectual Property Alliance, while locally hosted streaming websites slightly decreased in 2010, other various forms of online IP infringement have flourished. There are many new websites providing deep linking, or piracy-oriented search engines. It is reported that collecting societies have filed administrative complaints with the Ministry of Culture, Sports and Tourism Inspectorate and Economic Police about the infringing websites, but only a limited number of the sites removed infringing content.

The developments in the mobile industry provide a further platform for piracy. Many mobile vendors still load illegal content onto a mobile before selling it. Most mobile phone shops have staff who will put any software or content on a phone as a benefit of having made a purchase. Different mobile applications have also been created in the last two years that facilitate piracy. The problem is further exacerbated by the failure of the law to deal effectively with ISPs.

Vietnam has also experienced problems with signal piracy, as some cable operators capture signals from the satellite system of neighbouring countries. The new Decree 85, which becomes effective on November 10 2011, has addressed the issue by requiring that any organisations or individuals wishing to use, amend, or crop a broadcast product of a broadcasting organisation for the purposes of rebroadcasting or uploading to the internet, must have an agreement with the owner. However, as enforcement has proved to be weak in the past, and the administrative penalties have repeatedly failed to deter copyright infringers, it remains to be seen how the new law will effectively regulate signal piracy.

Focus on enforcement needed

Vietnam's preparations for and membership in the WTO have created a legal landscape and a level of public awareness that should, in theory, be very friendly for IP rights holders. In practice, the ready availability of pirated and counterfeit goods has continued. The key has to be enforcement, however, and there are signs that point to progress in this regard. The large fines and settlements that have been obtained in some cases are proof that Vietnam's laws can protect rights holders. With focused efforts on consistent enforcement, Vietnam will open new opportunities for rights holders of valuable intellectual property.



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