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Decree 99 Provides New Guidelines on Administrative Sanctions for IP Infringement

The Vietnamese government recently enacted a new regulation on administrative sanctions in cases of industrial property infringement. Decree No. 99/2013/ND-CP, dated August 28, 2013 (Decree 99), came into effect on October 15 of this year, replacing Decree 97/2010/ND-CP (Decree 97).

The passage of the decree comes as the result of the enactment of the 2012 Law on Handling Administrative Violations, which aims to guide the implementation of the law in the field of industrial property rights (IPRs). Given the popularity of administrative measures in Vietnam, Decree 99 will play an important role in the enforcement of IPRs in Vietnam. Decree 99 introduces several major changes as compared to Decree 97.

Level of Fines

In accordance with the 2012 Law on Handling Administrative Violations, Decree 99 classifies the fine level on infringers into two categories. For each act of infringement, a company is subject to a fine twice as high as the one imposed on an individual infringer. For example, an individual infringer trading in counterfeits valued up to VND 5 million (USD 240) is subject to a fine from VND 4 million (USD 190) to VND 8 million (USD 380), while a company that commits the same infringement could be sanctioned with a fine from VND 8 million to VND 16 million (USD 760).

Decree 99 establishes a ceiling on the amount of fines that can be levied on infringers. Individual infringers are subject to a maximum fine of VND 250 million (USD 11,900), while juristic persons (companies) face a maximum fine of VND 500 million (USD 23,800).

Sanctioning Power

Under Decree 99, the Market Control Force is no longer permitted to deal only with infringement on the market, but is also empowered to inspect and sanction infringement directly at production sites, which is a major step forward from Decree 97.

In accordance with the 2012 Law on Handling Administrative Violations, Decree 99 also bestows sanctioning power upon the General Director of the General Department of Customs of Vietnam, who can sanction infringement at Vietnam's borders.

Notably, under Decree 99, the Competition Authority of Vietnam is no longer entitled to deal with any unfair competition in the field of industrial property.

Valuation of Counterfeits

Counterfeits are no longer valued at the price of the genuine products. Because there are not always genuine products equivalent to the counterfeits, Decree 99 provides that counterfeits are valued as other infringing products. Specifically, the valuation of the counterfeit shall be based on (1) the tag price or the price in the purchase contract;

(2) the price as posted by the local finance authority; or (3) the cost price. If it is not possible to value the counterfeits based on these grounds, the authority shall seek a valuation from a valuation council. The value of the counterfeits is of great importance in the determination of the fine.

Omission of Certain Infringing Acts

Under Decree 99, certain acts are no longer subject to sanctions. Most of these acts are related to the compliance of the putative infringer with the orders from the inspection workgroup in an ongoing inspection. To be more precise, Decree 99 does not sanction acts that prevent the inspection workgroup from inspecting/raiding the infringer, such as failure to comply with an order from the inspection workgroup, hindering the inspection/raid, and offending or disgracing the authorities.

Sanction on Counterfeit Marks/Stamps

Decree 99 determines the fine level for breaches relating to counterfeit marks/stamps based on the quantity of the seized marks/stamps. This is a major change as compared with Decree 97, which previously took into account the infringing acts, but not the quantity of the marks/stamps, when determining the fine level.

Power of Attorney in Enforcement

Decree 97 was quite vague on the formality of the power of attorney (POA) to be used in an enforcement action. As a result, in practice, different authorities had different POA requirements—some required it to be notarized and legalized, while others simply required it to be duly executed by the legal representative of the IPR holder.

Decree 99, however, clarifies the formality requirements so that the competent authorities will have a consistent understanding. As construed from Decree 99, the POA must be duly executed and notarized. In case of no notarization, the POA must be legalized.

Domain Name Disputes

Domain name disputes are still resolved by the administrative route. However, the time frame for a cyber-squatter to voluntarily surrender a disputed domain name under Decree 99 is 30 days from the date of the sanctioning decision. After the deadline expires, the competent authority will compulsorily withdraw the domain name. Given the previous one-year time frame for the voluntary withdrawal set forth by the guiding regulation of Decree 97 (i.e., Circular 37/2011/TT-BKHCN), the new timeline in Decree 99 demonstrates real progress.

As construed from Decree 99, a subordinate regulation of the decree is expected to be passed in the near future so as to provide guidelines regarding the procedure for the withdrawal and revocation of a disputed domain name.

Company Name Issue

Decree 99 prescribes a clearer and stronger legal consequence if a company with an infringing name fails to voluntarily change its name. Under Decree 97, the legal consequence of the failure was simply a publication of warning against the company on the national business registration gateway. But under Decree 99, within 60 days from the effective date of the sanctioning decision by the enforcement body, the company must change its name and record the change with the business registration authority. If it fails to do so, the business registration authority will revoke the business license of the company.

By clarifying a number of previously vague issues on administrative sanctions, Decree 99 should be helpful to IPR owners, as it improves the enforcement environment in Vietnam. 🏠