

VIETNAM



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Judgment triggers changes to court litigation

On August 28, the Ho Chi Minh City Court entered a judgment in an IP rights dispute that could herald significant changes to civil litigation in the IP field in Vietnam, influencing the way other courts deal with claims of damage compensation and attorney's fees in IP cases.

The dispute

The dispute arose between US-based Videojet Technologies, a major player in ink and printing equipment for industrial purposes, and Nam Trinh, which had been an authorised distributor of Videojet-branded products in Vietnam until its contract was terminated in 2012. Despite the termination, Nam Trinh continued to present itself as an authorised Videojet distributor on its websites, and even used Videojet's registered trade marks in its means of business, without any consent from Videojet. The company was also suspected of distributing fake Videojet products.

Videojet asked its legal advisers for a strategy to crack down on the infringement and compel Nam Trinh to pay compensation for the damages incurred. In September 2012, the market control forces in both Hanoi and Ho Chi Minh City conducted a series of administrative raids upon Nam Trinh's offices in the two cities, resulting in the confiscation and destruction of fake products. This administrative action succeeded in deterring Nam Trinh from trading in infringing products bearing Videojet's trade marks.

Videojet then filed a lawsuit against Nam Trinh to seek compensation for damages and attorney's fees, as well as a public apology for the trade mark infringement. The evidence gathered during the administrative action would turn out to be of great importance in calculating the actual damages Videojet incurred from Nam Trinh's encroachment.

Difficulties in calculation of damages

Though IP protection was introduced to Vietnam long ago, civil litigation in the field is still in its infancy. There have been very few cases handled by the local courts, so these courts have not had the opportunity to develop IP expertise. In addition, the small number of resolved cases has led to a lack of precedents, so the courts have not had any prototype on which they can rely to determine the damages resulting from IP infringement.

In the Videojet case, it was not easy to gauge the actual damages caused by the counterfeiting, including the loss of profits as well as the loss of business opportunity. Videojet was additionally in no position to identify how many counterfeits had been sold by Nam Trinh before the raid actions took place. In the end, Videojet resorted to using the value of the goods which had been seized (about \$1,500) plus the legal fees they paid for the 2012 raid actions to determine rough damages of just under \$10,000 – one of the largest amounts ever sought by a brand holder in Vietnam.

In practice, such approaches have not consistently worked in Vietnam, and have even been dismissed by some courts. In a substantially similar case, *First News Publisher v Huy Thi Enterprise*, which was tried by two courts in Hanoi, the court observed that since the counterfeit goods in question (books) were seized at the infringer's warehouse before they were ever distributed to the market, the goods did not cause any damages to the copyright owner. Therefore, the court ruled in favour of the infringing producer and dismissed the plaintiff's claim for damages. Such a ruling made it virtually impossible to prove damages in the absence of sales records and other facts.

In the Videojet case, in addition to the damages, Videojet also sought a recovery of its attorney's fees of \$10,000 for the suit. This was the highest amount that plaintiffs had ever claimed in Vietnam. To that point, the record legal fees ever awarded by local courts was around \$2,000.

Potential changes lie ahead

At the trial conducted on August 28, just one day after the disappointing judgment in the First News case, the Ho Chi Minh City Court ruled in favour of Videojet, awarding damages of nearly \$10,000 – the full amount that Videojet sought – and an addition-

al \$10,000 in attorney's fees.

Unlike the two courts in Hanoi in the First News case, the Ho Chi Minh City Court observed that the seized products came at the plaintiff's expense even though they were not distributed into the market. Without records on sales volume of the counterfeits, the damage caused was deemed to be at least equivalent to the value of the seized products. The court also considered the legal fees Videojet incurred to stage the raid actions to be damages resulting from the counterfeiting of the defendant.

The ruling of the court in terms of damages was not only a victory for Videojet, but could become a model for other judicial bodies to follow in calculating damages and attorney's fees under civil action. In addition, the award of the attorney's fees, the highest in the history of court litigation in Vietnam to the best of our knowledge, may fortify other courts' determination to decree higher amounts of reasonable legal fees, easing the cost burden on plaintiffs when commencing civil litigation. This should be viewed as a positive trend for the enforcement climate in Vietnam.