VIETNAM

Protecting trade secrets

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Trade secrets have been protected under Vietnam's IP regulations and other laws for many years. However, questions as to the effectiveness of such legal protection measures continue to vex lawyers and other experts. These questions stem from the laws themselves, as well as how the regulations may be applied in actual legal proceedings.

Trade secret protection in the law

The current legal regulations in Vietnam governing or touching upon the issue of trade secret protection are found scattered throughout a wide range of legislation, such as the 2005 Law on Intellectual Property (Article 4.23), the 2012 Labour Code (Articles 19.1 and 23.2) and the 2004 Law on Competition (Articles 3.10, 39.2, and 41). While this may seem to be comprehensive coverage to an outside observer, some fundamental shortcomings remain within the legal system, as there are no regulations governing the *relationship* between these laws.

For example, how will the law balance the right of an employee to freely sign and terminate labour contracts and to work for any employer and at any place not prohibited by law, an important principle stipulated in Article 10.1 of the Labour Code, against non-compete clauses previously agreed to between the employee and the employer, that say that the employee cannot work for a competitor or another company in the same field in Vietnam for a given period of time after concluding the labour contract? In this situation, if the agreement of the two parties becomes "law" and is binding upon the employee, will this agreement implicitly be valid or must it be accompanied by some condition such as only being valid when the employee is given some material benefit from the employer in exchange, commensurate to the amount of time and the geographical region in respect of which they commit not to work for competitors?

Looking at the history of the law in Vietnam, when the Competition Law was originally drafted, many legal experts mentioned the need for some specific provisions governing non-compete agreements in labour relationships, as well as in other legal relationships such as franchising, technology transfer and licensing, but the lawmakers opted to remain silent on this issue. Thus, the potential legal risks have not yet had a satisfactory solution.

In addition to non-compete clauses in labour contracts, another measure provided in the law (Article 119.1(d) of the Labour Code) that is commonly used to protect trade secrets is specifying the responsibility and obligation of trade secret confidentiality in the internal labour rules of a company. Typically, these regulations will define who can access the information, which documents are considered trade secrets and how they are to be kept and managed, and the sanctions for breaches, the most serious of which is termination. The fact that the internal labour rules must be registered with labour authorities may strengthen the probability of enforcement. However, it will be very interesting to see how the effectiveness of these measures plays out.

Trade secret protection in practice

Unlike IP disputes in other areas such as patents and trade marks, disputes related to trade secrets have thus far been uncommon in Vietnam. To date, we have only seen two cases related to trade secrets that have been heard by the courts, one in 2005 in the People's Court of Ho Chi Minh City (Case No 20/LD-ST dated March 17 2005) and one in 2010 in the Duc Hoa District Court of Long An Province (Case No 09/2010/LD-ST dated December 10 2010).

The first case was in relation to an American company's firing of an employee for breaching the internal labour rules on confidentiality when the employee sent an email to her sister disclosing information about the employer's products. The court ruled in the employer's favour, that the termination was justified, after recognising the legal validity of the internal labour rules on confidentiality that the employer had issued and registered with the labour authorities.

The second case concerned a Vietnamese company, where an employee had signed a non-compete clause in the form of agreeing not to work for any competitor for a period of one year after ending the labour relationship with the employer. However, the unique aspect of this situation was that the employer had retained the right to regularly update the list of companies that it considered to be its "competitors", which employees could not go to work for, but the employees did not get any material benefits in return for complying with this clause. Despite this, the court still recognised the legality of this non-competition agreement when it held that this was a purely civil agreement and thus was viewed as the will of both parties.

From the two cases above it can be seen that the courts of Vietnam have had a tendency to uphold measures protecting trade secrets that the parties have agreed to, but there are still some legal risks. In the Labour Code of 2012, the lawmakers stipulated that if there is an agreement on protection of trade secrets, then in addition to agreeing on penalties to compensate for breaches, the confidentiality agreement must take into account the benefits of the employee (Article 23.2 of the Labour Code). This may create room for courts to tend to rule in favour of the employee in more cases.