

VIETNAM

**Vietnam's new
penal code**

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In November 2015, the National Assembly of Vietnam issued a new Penal Code. This was scheduled to come into effect on July 1 2016, replacing the Penal Code of 1999. However, due to some inconsistencies and shortcomings in the law as drafted, its full implementation was put on hold until necessary amendments could be made. A revised version of the new Penal Code was subsequently issued in June 2017 and finally took effect this year on January 1.

While much of the media coverage of the new Penal Code has focused on the changes related to anti-corruption – notably the expansion of bribery regulations to the private sector – the new code will impact many other aspects of doing business in Vietnam, including intellectual property protection.

Corporate criminal liability

Perhaps the most important change ushered in by the new Penal Code is that, for the first time, commercial legal entities can be prosecuted before criminal courts for certain offences. Previously, criminal liability was limited to individuals.

The applicable offences are listed under Article 76 of the new Penal Code, and include 33 types of crimes divided into two broad groups: economic crimes, such as insurance fraud and trading in banned goods, and environmental crimes, such as causing pollution and destroying natural resources. Among the economic crimes are several related to intellectual property, including copyright infringement, trade mark and geographical indication infringement, and manufacturing and trading in counterfeit goods.

Commercial legal entities found guilty of these crimes may be subject to fines, temporary suspension of operation, perma-

nent shutdown, a ban from operating in certain fields, prohibition from raising capital, and other judicial remedies related to intellectual property.

It is worth noting that the fact that a commercial legal entity has criminal liability does not exempt individuals from responsibility. In other words, even if a company suffers penalties for its offence, officers or employees of the company connected to the violating act could still be separately punished as individuals.

Changes in IP provisions

The new Penal Code includes several provisions on intellectual property, including Article 225 on infringement of copyright and related rights and Article 226 on infringement of industrial property rights (specifically trade marks and geographical indications). Under the previous Penal Code, these offences could be subject to criminal proceedings if the violator committed the infringement on a commercial scale. However, there was no guideline for what constituted commercial scale, which made enforcement difficult. Under the new Penal Code, the financial thresholds in terms of illegal profit generated or loss incurred by the copyright or trade mark/geographical indication owner are clearly stated.

Article 192 covers the crime of manufacturing and trading in counterfeit goods, while Articles 193 to 195 set out further provisions for counterfeit goods in the high risk areas of food, medicine and agricultural products. As with the infringement provisions, these articles under the new Penal Code now provide more clarification as to what specific circumstances or financial thresholds constitute a crime, replacing some of the vague language in the old Penal Code. Brand owners no longer face the challenge of distinguishing between serious consequences, very serious consequences and especially serious consequences, which should lead to more favourable enforcement conditions.

In addition, with the introduction of corporate criminal liability, the IP-related articles of the new Penal Code clearly state the penalties applicable to companies for such infringement or violation, which are significantly higher than the penalties for

individuals. An individual committing trade mark infringement resulting in illegal profit of more than VND 300 million (\$13,250) can be subject to a fine of VND 500 million (\$22,000) to VND 1 billion (\$44,000). However, a company committing the same crime can be subject to a fine of VND 2 billion (\$88,000) to VND 5 billion (\$220,000).

One IP-related offence found in the previous Penal Code has been removed from the new Penal Code: the crime of breaching the regulations on granting industrial property protection titles or certificates, which would apply to, for example, a government official who refused to grant trade mark protection to a clearly qualified applicant. Though such action has been decriminalised, intellectual property right holders who believe they have been unfairly treated can still take these cases to the administrative court.

Outlook

In theory, the new Penal Code is a milestone in IP enforcement, establishing criminal measures as a viable alternative to administrative and civil measures. However, the effectiveness of the new provisions might not be guaranteed in the near future, due to a lack of actual enforcement experience of authorities including the police and prosecutors.

Regardless, the additions and clarifications in the new Penal Code are a welcome advance in Vietnam's ongoing battle against piracy and counterfeit goods and will help the country get in line with its commitments in bilateral and multilateral economic treaties such as the EU-Vietnam Free Trade Agreement (EVFTA), which requires Vietnam to strengthen criminal enforcement of intellectual property rights.