

Licensing

Contributing editors

Fiona Nicolson and Claire Smith



2018

**GETTING THE
DEAL THROUGH** 

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DEAL THROUGH 

Licensing 2018

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Fiona Nicolson and Claire Smith

Bristows LLP

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For further information please contact editorial@gettingthedealthrough.com

Publisher
Tom Barnes
tom.barnes@lbresearch.com

Subscriptions
Sophie Pallier
subscriptions@gettingthedealthrough.com

Senior business development managers
Alan Lee
alan.lee@gettingthedealthrough.com

Adam Sargent
adam.sargent@gettingthedealthrough.com

Dan White
dan.white@gettingthedealthrough.com



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Law Business Research Ltd
87 Lancaster Road
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Tel: +44 20 3708 4199
Fax: +44 20 7229 6910

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Preface

Licensing 2018

Tenth edition

Getting the Deal Through is delighted to publish the tenth edition of *Licensing*, which is available in print, as an e-book and online at www.gettingthedealthrough.com.

Getting the Deal Through provides international expert analysis in key areas of law, practice and regulation for corporate counsel, cross-border legal practitioners, and company directors and officers.

Throughout this edition, and following the unique **Getting the Deal Through** format, the same key questions are answered by leading practitioners in each of the jurisdictions featured. Our coverage this year includes new chapters on South Africa, Thailand and Vietnam, and an updated global overview.

Getting the Deal Through titles are published annually in print. Please ensure you are referring to the latest edition or to the online version at www.gettingthedealthrough.com.

Every effort has been made to cover all matters of concern to readers. However, specific legal advice should always be sought from experienced local advisers.

Getting the Deal Through gratefully acknowledges the efforts of all the contributors to this volume, who were chosen for their recognised expertise. We would like to thank the contributing editors, Fiona Nicolson and Claire Smith of Bristows LLP, for their assistance with this volume. We also extend special thanks to Bruno Floriani of Lapointe Rosenstein Marchand Melançon LLP, who contributed the original format from which the current questionnaire has been derived, and who helped to shape the publication to date.

GETTING THE 
DEAL THROUGH 

London
January 2018

Vietnam

Linh Thi Mai Nguyen, Tu Ngoc Trinh, Son Thai Hoang and Chi Lan Dang

Tilleke & Gibbins

Overview

- 1 Are there any restrictions on the establishment of a business entity by a foreign licensor or a joint venture involving a foreign licensor and are there any restrictions against a foreign licensor entering into a licence agreement without establishing a subsidiary or branch office? Whether or not any such restrictions exist, is there any filing or regulatory review process required before a foreign licensor can establish a business entity or joint venture in your jurisdiction?**

In most cases, to enter into a licence agreement, the foreign licensor does not need to establish a business entity in Vietnam. Establishing a subsidiary or branch office in Vietnam is optional.

Foreign licensors who wish to establish a business entity in Vietnam have to satisfy certain conditions or restrictions imposed on foreign investors. Typical examples of these conditions and restrictions include, among other things:

- limitations on foreign ownership in certain sectors;
- business sector restrictions;
- requirements for forms of investment;
- geographic restrictions;
- conditions on the qualifications of Vietnamese partners; and
- other conditions or requirements relating to specific business sectors.

As for regulatory review requirements, to establish a company in Vietnam, foreign licensors must obtain at least

- an investment registration certificate (IRC). The IRC will set out content relating to the investment project, such as investors, project location, objectives and scale of the project, investment capital, investment incentives and restrictions; and
- an enterprise registration certificate (ERC). The ERC will provide the corporate details, such as the company name, registered office address, charter capital, owner's details and legal representatives of the company.

The provincial Department of Planning and Investment or the board of management of the relevant industrial zone or park with jurisdiction over the location of the investment project has the power to approve the IRCs and ERCs. However, larger-scale projects and certain types of projects require a 'decision on investment planning' approval from higher-level government bodies prior to submission of the IRC and ERC to the local investment authorities. In addition, approval of the foreign investment from a number of other government bodies may be required, depending on the nature and scale of the foreign investment.

Kinds of licences

- 2 Identify the different forms of licence arrangements that exist in your jurisdiction.**

Vietnamese law does not explicitly differentiate between types of licence arrangements. Some licence arrangements are expressly regulated by specific laws, while others are not and, therefore, will be treated as civil arrangements under civil laws. The two general licence arrangements are as follows:

- licence arrangements that are regulated by specific laws: these include copyright licence arrangements (which include software

licences, performance or TV show licences, music licences); industrial property rights licences (such as patent licences, trademark or service mark licences, industrial design licences); plant variety licences; technology transfer licences; and franchise agreements; and

- licence arrangements that are regulated by civil laws: this covers other types of licences, for example, celebrity and character licences, or licence agreements for non-registered industrial property subject matters.

Law affecting international licensing

- 3 Does legislation directly govern the creation, or otherwise regulate the terms, of an international licensing relationship? Describe any such requirements.**

Yes, legislation directly governs the terms of a licensing relationship. Vietnamese law does not differentiate between national and international licensing relationships. The law requires that a licence agreement must be established in the form of a written contract, and must consist of the following terms:

- full names and addresses of the licensor and the licensee;
- grounds for licensing;
- contract type;
- licensing scope, including limitations on use rights and territorial limitations;
- contract term (duration);
- licensing price; and
- rights and obligations of the licensor and the licensee.

The law also provides limitations on industrial property licences. In particular, the licence contract must not: have provisions that unreasonably restrict the rights of the licensee, such as terms that prohibit the licensee from improving the industrial property object (other than marks) or compel the licensee to transfer to the licensor, free of charge, improvements to the industrial property object made by the licensee; and must not directly or indirectly restrict the licensee from exporting goods produced or services provided under the licence contract to territories where the licensor neither holds the respective industrial property right nor has the exclusive right to import such goods.

- 4 What pre-contractual disclosure must a licensor make to prospective licensees? Are there any requirements to register a grant of international licensing rights with authorities in your jurisdiction?**

There are no specific pre-contractual disclosure obligations for the licensor to make to prospective licensees under Vietnamese law, except for franchise agreements (which will be discussed below). However, the general obligations for civil transactions, which cover licence agreements, require each party to freely and voluntarily enter into the agreement and establish, fulfil or terminate rights and obligations in good faith and honestly. To exercise good faith and honesty, the licensor is required to disclose information that might influence the decision of the prospective licensee to enter into the licence agreement, for example, the ownership of the licensor with the licensed intellectual property right (IPR) and the validity thereof.

Under the franchise regulations, unless the franchisor and franchisee agree otherwise, the franchisor must provide the proposed franchisee with a copy of the franchise agreement form and a franchise disclosure document at least 15 business days before the date that the franchise agreement is to be signed. In addition, foreign franchisors in any business sector must register their franchising activities with the Ministry of Industry and Trade (MOIT) before conducting franchising activities in Vietnam.

The law provides that a licence agreement shall take effect as so agreed by the two parties, but it shall be legally valid against third parties only after being recorded with the National Office of Intellectual Property of Vietnam (NOIP). This may be interpreted to mean that registration of a licence agreement is not compulsory. However, the registration of the licence agreement provides some advantages for the parties, such as to facilitate the transfer of royalties to an offshore licensor, or to ensure that use of a mark by the licensee will inure to the trademark owner to defend the mark in a non-use cancellation action.

5 Are there any statutorily- or court-imposed implicit obligations in your jurisdiction that may affect an international licensing relationship, such as good faith or fair dealing obligations, the obligation to act reasonably in the exercise of rights or requiring good cause for termination or non-renewal?

Vietnam's Law on Intellectual Property (IP Law) and relevant regulations do not have a general rule for fair dealing in a licensing relationship. However, good faith is a fundamental principle in Vietnam's Civil Code, which governs civil transactions, including licensing relationships, and it is expressly indicated in article 3 that 'Each person must establish, exercise or fulfil, or terminate his/her civil rights and/or obligations in the principle of goodwill and honesty.'

To terminate a licensing relationship, good causes are not required. Instead, the interested parties can agree on any circumstances for termination or non-renewal.

6 Does the law in your jurisdiction distinguish between licences and franchises? If so, under what circumstances, if any, could franchise law or principles apply to a licence relationship?

The laws do not expressly distinguish between licences and franchises. However, these relationships are governed by different laws and regulations. Franchising activities are detailed and explicitly governed under the Commercial Law 2005 and Decree 35/2006/ND-CP detailing the implementation of the Commercial Law 2005 regarding franchising. A licence relationship is mostly governed by intellectual property laws. From a legal perspective, a licence is limited to the transfer of the right to use intellectual property objects, while a franchise involves a broader set of rights. In practice, a franchise arrangement often involves licences of intellectual property objects (eg, copyright, trademark, design, patent). The overall franchise agreement will then be governed by franchise law, while the related licences will be subject to licence law.

Intellectual property issues

7 Is your jurisdiction party to the Paris Convention for the Protection of Industrial Property? The Patent Cooperation Treaty (PCT)? The Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs)?

Yes, Vietnam has been a member of the Paris Convention for the Protection of Industrial Property since 1949, the PCT since 1993 and the TRIPs since 2007.

8 Can the licensee be contractually prohibited from contesting the validity of a foreign licensor's intellectual property rights or registrations in your jurisdiction?

No. Article 144.2 of the Intellectual Property Law provides that a licence contract must not have provisions that unreasonably restrict the right of the licensee, including prohibiting the licensee from complaining about or initiating lawsuits with regard to the validity of the industrial property rights or the licensor's right to license. The law further indicates that such provision in a licence agreement (if any) shall be invalid.

9 What is the effect of the invalidity or expiry of registration of an intellectual property right on a related licence agreement in your jurisdiction? If the licence remains in effect, can royalties continue to be levied? If the licence does not remain in effect, can the licensee freely compete?

Article 148.3 of the IP Law sets out that the licence agreement shall be terminated upon the end of validity of the licensed IPR. As such, once the validity of an IPR expires or is terminated, the related licence agreement will no longer be in effect. In such case, the royalties may not continue to be levied, and the licensee can freely compete, unless otherwise explicitly agreed by the two parties in the licence agreement.

10 Is an original registration or evidence of use in the jurisdiction of origin, or any other requirements unique to foreigners, necessary prior to the registration of intellectual property in your jurisdiction?

The laws do not require an original registration or evidence of use in the jurisdiction of origin, or any other requirements unique to foreigners to register intellectual property in Vietnam. An original or certified copy of registration in the country of origin is only required when the application for registration of intellectual property claims priority rights from a prior registration in the such jurisdiction. Furthermore, foreign applicants need to appoint a local representative to pursue registration of intellectual property in Vietnam.

11 Can unregistered trademarks, or other intellectual property rights that are not registered, be licensed in your jurisdiction?

In principle, in Vietnam, trademark rights are only derived from registration, except for well-known marks. Therefore, the transfer of the right to use unregistered trademarks, as well as other IPR to which rights are established upon registration, is not considered a licence agreement and cannot be recorded at the NOIP. However, the right-holder can still grant the right to use of unregistered intellectual property to another party in the form of a civil contract.

For intellectual property objects for which the rights are not derived from registration (such as copyright), the licence can be made without registration of such objects.

12 Are there particular requirements in your jurisdiction: for the validity of an intellectual property licence; to render an intellectual property licence opposable to a third party; or to take a security interest in intellectual property?

To be valid, recordable and enforceable, a licence agreement must be in writing and include the following mandatory terms: full names and addresses of the licensor and licensee; grounds for licensing; licence type; licensing scope including limitations on use right and territorial limitations; licence term and licence price; and rights and obligations of the licensor and licensee.

The laws also place limits on licence agreements, namely, the licence agreement must not have provisions that unreasonably restrict the right of the licensee. It is not mandatory to record a licence agreement in Vietnam to make it valid. Without recordal, a licence agreement is still valid and has binding effect upon the two parties. However, to be valid against third parties, the licence agreement should be registered with the NOIP.

Vietnamese law provides no mechanism for a third party to oppose the recordal of a licence agreement. However, the laws state that a request for recordal of licence agreement will be refused if there is a dispute over the IPR that are licensed. This may be interpreted to mean that a third party may inform the NOIP about its dispute, and request the NOIP to refuse the request for recordal of licence agreement. However, this only affects the recordal of the agreement; if the agreement is not recorded, a third party may not oppose that licence agreement.

In principle, IPR can be registered for security interest. However, the laws do not set particular requirements to take a security interest in intellectual property.

13 Can a foreign owner or licensor of intellectual property institute proceedings against a third party for infringement in your jurisdiction without joining the licensee from your jurisdiction as a party to the proceedings? Can an intellectual property licensee in your jurisdiction institute proceedings against an infringer of the licensed intellectual property without the consent of the owner or licensor? Can the licensee be contractually prohibited from doing so?

Yes, a foreign owner or licensor of intellectual property can institute proceedings against a third party for infringement without joining the licensee as a party to the proceedings in Vietnam.

The law also allows a licensee to request handling of infringement by administrative measures, provided that the trademark owner does not explicitly restrict the licensee's right to do so. Although the laws do not expressly state the same for civil and criminal measures, it may be interpreted that the same requirements will apply.

The licensee can be contractually prohibited from instituting proceedings against an infringer of the licensed intellectual property without the consent of the owner or licensor.

14 Can a trademark or service mark licensee in your jurisdiction sub-license use of the mark to a third party? If so, does the right to sub-license exist statutorily or must it be granted contractually? If it exists statutorily, can the licensee validly waive its right to sub-license?

Yes, a trademark or service mark licensee can sub-license the use of the mark to a third party with the consent of the master-licensor. The right to sub-license does not exist statutorily, but must be granted contractually.

15 If intellectual property in your jurisdiction is jointly owned, is each co-owner free to deal with that intellectual property as it wishes without the consent of the other co-owners? Are co-owners of intellectual property rights able to change this position in a contract?

Co-owners of intellectual property (except copyright) must jointly act when they want to deal with that intellectual property (including licensing or assigning it to a third party, or using it as security). The NOIP requires the mutually signed written consent of all co-owners to the licensing of the industrial property objects to record the licence agreement, if the licence agreement has not been signed by all of the co-owners. In other words, if one of the co-owners is to act on its own, the other co-owners must give written consent for the former to act on their behalf. The co-owners are not able to change this position in a contract.

However, in the case of copyright, the laws provide that in a case of joint ownership of a work, performance, audio or visual fixation or broadcast that is composed of separate parts detachable for independent use, copyright holders or related rights holders may license their copyright or related rights in their separate parts to other organisations or individuals. This means each co-owner is free to deal with its separate part as it wishes, without the consent of the other co-owners.

16 Is your jurisdiction a 'first to file' or 'first to invent' jurisdiction? Can a foreign licensor license the use of an invention subject to a patent application but in respect of which the patent has not been issued in your jurisdiction?

Vietnam adopts the 'first to file' principle. Licences can only be recorded for patented inventions. A foreign licensor can licence the use of an invention, but it would not be considered a licence of a patent application and cannot be recorded. Such licence agreement will be treated as a contract governed by civil laws.

17 Can the following be protected by patents in your jurisdiction: software; business processes or methods; living organisms?

Software; business processes or methods

Vietnam currently excludes software (comprising computer programs, libraries and data) and business processes or methods from the scope of patentable subject matter. Under article 59 of the IP Law, computer programs, business methods, and presentations of information are listed as types of subject matter that are expressly not eligible for patent protection; however, there are exceptions as follows.

Regarding computer programs, while a computer program itself, in the form of code, cannot be patented, the Vietnamese Guidelines for Patent Examination provide for the concept of 'computer-implemented inventions,' which are inventions involving the use of computers, computer networks or other programmable apparatus whereby prima facie one or more of the features of the claimed invention are realised wholly or partly by means of a program or programs. This invention could be patentable if it has 'a technical character, and is a technical solution for solving a technical problem by technical means to attain a technical effect', provided that the 'technical effect' goes beyond the normal physical interactions between the program and the computer.

The IP Law defines an invention as a 'technical solution in the form of a product or a process'. In practice, patent examiners usually interpret a product to be a tangible product. Accordingly, for a computer-implemented invention to take the form of a product, the designation of subject matter of a claim must be (converted into) a tangible designation such as 'a storage medium containing a computer program that...'

Regarding business processes or methods, according to the Vietnamese Guidelines for Patent Examination, if claimed subject matter (i) is merely directed to a method of doing business, (ii) does not use technical means, (iii) does not solve any technical problems, and (iv) does not create any technical effects, the subject matter will be excluded from patent protection. However, this means if the claimed subject matter involves methods of doing business and specifies an apparatus or a technical process for carrying out at least some part of these methods, the subject matter will not be excluded from patent protection.

Living organisms

Article 59 of the IP Law includes plant varieties and animal breeds in its list of subject matters that are not protectable as inventions. However, point 5.8.2.8 of the Guidelines for Patent Examination states that inventions related to plants and animals are protected as long as their technical features are not limited to a specific plant variety or animal breed. For example, transgenic plants are normally protectable as inventions. In addition, plant varieties are protectable by the rights to plant varieties if they are novel, distinct, uniform, stable, designated by proper denominations and belong to the list of state-protected plant species promulgated by the Ministry of Agriculture and Rural Development of Vietnam. The requirements for plant variety protection are stipulated in detail in articles 158-163 of the IP Law.

Processes of plant or animal production that are not microbiological processes and are principally of biological nature are also not protectable, according to article 59 of the IP Law. However, according to point 5.8.2.8 of the Guidelines for Patent Examination, it is possible to grant patents for invention or utility solution to processes of plant variety or animal breed production that are not of biological nature. Whether a process is considered to be biological or not is based on the degree of technical intervention by humans in said process. If the technical intervention by humans in the process is a critical or controlling factor for its products or effectiveness, the process does not involve a biological nature. For example, a process of irradiating cattle for high-yield production of milk has been protected.

On the other hand, microorganisms are not mentioned in Article 59 of the IP Law and, therefore, are protectable as inventions. In particular, point 5.8.2.8 of the Guidelines for Patent Examination states that microorganisms and microbiological processes are eligible for patent protection if they are not in opposition to the social ethics and public order and not prejudicial to national defence and security.

18 Is there specific legislation in your jurisdiction that governs trade secrets or know-how? If so, is there a legal definition of trade secrets or know-how? In either case, how are trade secrets and know-how treated by the courts?

Yes, Vietnam's IP Law and the Law on Technology Transfer No. 80/2006/QH 11 dated 29 November 2006 govern trade secrets and know-how. Under article 4.23 of the IP Law, a trade secret means 'information obtained from activities of financial or intellectual investment, which has not yet been disclosed and can be used in business'. Under article 3.1 of the Law on Technology Transfer, technical know-how means 'information accumulated and discovered during the process of research, production and business by the technology owner, which

is decisive for the quality and competitive capacity of technology and technological products'.

So far, there have been very few cases regarding trade secrets brought before the court. Taking into account the lack of precedents and the limited IP expertise of the court, it is unpredictable how trade secrets and know-how will be treated by the court.

19 Does the law allow a licensor to restrict disclosure or use of trade secrets and know-how by the licensee or third parties in your jurisdiction, both during and after the term of the licence agreement? Is there any distinction to be made with respect to improvements to which the licensee may have contributed?

Yes, the law allows a licensor to restrict disclosure or use of trade secrets and know-how by the licensee or third parties, both during and after the term of the licence agreement, as agreed by the two parties in the related licence agreement, except when:

- disclosing or using trade secrets acquired without knowing or having the obligation to know that they have been unlawfully acquired by others;
- disclosing secret data in order to protect the public;
- using secret data not for commercial purposes;
- disclosing or using trade secrets obtained independently; and
- disclosing or using trade secrets obtained by analysing or evaluating lawfully distributed products, unless otherwise agreed upon by the analysers or evaluators and the owners of such business secrets or sellers of such products.

The law provides that the licensee owns the IPR for their improvements. This can be interpreted to mean that the law does not allow a licensor to restrict or prohibit the use of improvements to which the licensee may have contributed.

20 What constitutes copyright in your jurisdiction and how can it be protected?

In Vietnam, the following types of work are copyrightable:

- literary and scientific works including textbooks, teaching courses, and other works expressed in written language or other characters;
- lectures, addresses and other speeches;
- press works;
- musical works;
- dramatic works;
- cinematographic works and works created by a process analogous to cinematography;
- plastic artworks and works of applied art;
- photographic works;
- architectural works;
- sketches, plans, maps and drawings related to topography, architecture or scientific works;
- folklore and folk art works of folk culture; and
- computer programs and data compilations.

To be protected, the work must be created personally by the authors through their intellectual labour without copying others' works.

21 Is it advisable in your jurisdiction to require the contractual assignment of copyright by the licensee to the licensor for any artwork, software improvements and other works that the licensee may have contributed to?

Yes, it is advisable to require the contractual assignment of copyright by the licensee to the licensor for any artwork, software improvements, and other works to which the licensee may have contributed, to ensure the copyright ownership in such improvements and other works.

Software licensing

22 Does the law in your jurisdiction recognise the validity of 'perpetual' software licences? If not, or if it is not advisable for other reasons, are there other means of addressing concerns relating to 'perpetual' licences?

Article 47.1 of Vietnam's IP Law defines a copyright licence as the permission given by the copyright holder for other entities to use its rights for a definite term. Such provision can be interpreted to mean that the licence of a copyrighted work, including a software licence, must

be for a definite term. As such, 'perpetual' software licences may not be accepted. To address concerns relating to 'perpetual licences', the licence agreement may indicate a licence term concurrent with the term of protection of the licensed software.

23 Are there any legal requirements to be complied with prior to granting software licences, including import or export restrictions?

Software products that are incorporated in a medium such as CD, VCD, DVD, hard disk, etc, may be considered 'cultural products' and if so may be subject to content censorship. Under the law, any products having contents contrary to social ethics and public policy or prejudicial to national defence and security will be banned. As such, for the purpose of import or export of software products that are considered to be cultural products, the importer or exporter needs to obtain an import licence and approval of the content of such products from the competent authorities.

24 Who owns improvements and modifications to the licensed software? Must a software licensor provide its licensees bug fixes, upgrades and new releases in the absence of a contractual provision to that effect?

Unless there is a contractual provision stating otherwise, the creator of improvements and modifications to the licensed software may own the improvements and modifications. However, the improvements and modifications will only be protectable if they are not prejudicial to the copyright to the original software. In practice, the improvements and modifications may be protectable if the creator thereof has obtained approval from the owner of the original software.

Generally, a software licensor is not required to provide its licensees with bug fixes, upgrades and new releases in the absence of a contractual provision to that effect. However, if the software has defects that may affect its normal operation, the licensor shall have an obligation to fix the defect (eg, by providing bug fixes to the licensee, according to the laws on product quality).

25 Are there any legal restrictions in your jurisdiction with respect to the restrictions a licensor can put on users of its software in a licence agreement?

Under the law, the licensee is entitled to make a single copy of the licensed software for backup and replacement. Other than that, there are no legal restrictions in Vietnam with respect to the restrictions a licensor can put on users of its software in a licence agreement, such as prohibiting the licensees from carrying out any form of reverse engineering or decompiling of a software program.

26 Have there been any legal developments of note in your jurisdiction concerning the use of open source software or the terms of open source software licences?

In principle, Vietnam encourages the use of open-source software. So far, in practice, there have been hardly any cases of enforcement of open-source software in Vietnam.

Royalties and other payments, currency conversion and taxes

27 Is there any legislation that governs the nature, amount or manner or frequency of payments of royalties or other fees or costs (including interest on late payments) in an international licensing relationship, or require regulatory approval of the royalty rate or other fees or costs (including interest on late payments) payable by a licensee in your jurisdiction?

In general, parties are free to agree on the amount, royalty rate or manner of payment of royalties or other fees or costs of an international licensing agreement. There is no regulatory approval requirement of the royalty rate or other fees or costs. It is worth noting that, according to the Civil Code 2015, the agreed interest rate must not exceed 20 per cent per annum of the amount overdue.

Update and trends

Vietnam is drafting new versions of the Competition Law, Commercial Law and regulations on franchise registration. The draft Competition Law adds new prohibitions on agreements on restraint of trade (article 12 on prohibited agreements on the fixation of the resale price, etc), and abuse of dominant position (article 20 on the prohibition on demanding other enterprises to deal with the enterprise that has a dominant position in the market or the designated enterprises of the latter, etc), which might affect the provisions of the licensing agreement. For franchise registration, the MOIT has a plan to remove the registration requirement for the foreign franchisor.

28 Are there any restrictions on transfer and remittance of currency in your jurisdiction? Are there any associated regulatory reporting requirements?

The current regulations on foreign exchange are the Ordinance on Foreign Exchange and its guiding regulations, which govern every out-bound payment, whether to an overseas licensor or otherwise.

Within the territory of Vietnam, except for a few narrow exceptions allowing the use of foreign currency, local currency must be used for all transactions of offers, payments, advertisements, quotations, pricing, prices in contracts, agreements and other similar forms (including the conversion or adjustment of the prices of goods and services, and the values of contracts and agreements). In other words, the licensee's transactions with its onshore vendors would generally need to be denominated and paid in local currency.

In general, for outbound transfer, commercial banks in Vietnam are imbued by law with discretion to scrutinise and examine underlying documents before allowing outbound transfers. The practice of each bank is also likely to differ to some extent.

29 In what circumstances may a foreign licensor be taxed on its income in your jurisdiction?

A foreign licensor having Vietnam-sourced income from engaging in a licence agreement with a Vietnamese contracting party will be subject to foreign contractor tax (FCT). The FCT is subject to any double-taxation avoidance agreement that Vietnam has entered into with the country under whose laws the foreign licensor is duly established. FCT consisting of corporate income tax (CIT) and value added tax (VAT) is collected through a withholding mechanism. FCT rates vary and are specified according to the nature of the service supplied. For the CIT component, the rate varies from 0.1 per cent to 10 per cent. For the VAT component, the rate can range from exempted to 5 per cent.

Competition law issues

30 Are practices that potentially restrict trade prohibited or otherwise regulated in your jurisdiction?

Yes. In Vietnam, antitrust and unfair competition are generally governed by the Competition Law and its guiding legislation. Depending on the nature of the activities, potentially trade-restricting activities can be considered competition restraints or acts of unfair competition that are prohibited under the law (for example, the Competition Law and its subordinate legislation would prohibit agreements on sharing sources of supply for goods or services if the parties to the agreement have a combined market share of 30 per cent or more of the relevant market).

31 Are there any legal restrictions in respect of the following provisions in licence agreements: duration, exclusivity, internet sales prohibitions, non-competition restrictions and grant-back provisions?

Yes. As mentioned above, the IP Law does not recognise perpetual licence for copyright. The IP Law also stipulates that a licence agreement shall be terminated upon the termination of validity of the licensed industrial property rights, which means the duration of a licence shall not exceed the term of protection of the licensed object. In addition, the IP Law does not allow provisions that unreasonably restrict the right of the licensee, particularly provisions that do not

derive from the rights of the licensor. Specifically, the following provisions are not allowed:

- prohibiting the licensee from improving the industrial property object (other than marks);
- compelling the licensee to transfer to the licensor, free of charge, improvements to the industrial property object made by the licensee or the right of industrial property registration or industrial property rights to such improvements;
- directly or indirectly restricting the licensee from exporting goods produced or services provided under the licence contract to territories where the licensor neither holds the respective industrial property rights nor has the exclusive right to import such goods;
- compelling the licensee to buy all or a certain percentage of raw materials, components or equipment from the licensor or a third party designated by the licensor not for the purpose of ensuring the quality of goods produced or services provided by the licensee; and
- forbidding the licensee to complain about or initiate lawsuits with regard to the validity of the industrial property rights or the licensor's right to license.

If a licence agreement contains any of the above provisions, such provisions shall be invalid.

In addition, the Competition Law contains a number of provisions that could potentially restrict licence agreements, including prohibiting agreements that provide for an exclusive arrangement, or non-competition restrictions, where the parties thereto have a combined 30 per cent or more market share in the relevant market, unless the transaction is exempted pursuant to the law.

32 Have courts in your jurisdiction held that certain uses (or abuses) of intellectual property rights have been anticompetitive?

The law does not specifically mention the situation of 'pay for delay' deals to keep generic drugs or improvements to a product off the market, or changing the design of products to extend the term of IP protection. However, under the Competition Law and its guiding regulations, when enterprises hold a dominant market position (a dominant market position exists when one enterprise has at least a 30 per cent market share of the relevant market, two enterprises have at least a 50 per cent market share, three enterprises have at least a 65 per cent market share, or four enterprises have at least a 75 per cent market share), they are not allowed to acquire invention patents, utility solution patents or industrial design patents for destruction or for non-use purposes. These activities could be deemed as prohibited competition-restraining agreements if the concerned parties to the agreement have a combined 30 per cent market share in the relevant market. Nevertheless, so far, there have been no rulings by the court that certain uses (or abuses) of IPR have been anticompetitive.

Indemnification, disclaimers of liability, damages and limitation of damages

33 Are indemnification provisions commonly used in your jurisdiction and, if so, are they generally enforceable? Is insurance coverage for the protection of a foreign licensor available in support of an indemnification provision?

Indemnification provisions are commonly used in international licensing contracts of varying subject matter and there are no expressed prohibitions against them. Similarly, insurance coverage is commonly used for the protection of a foreign licensor in support of an indemnification provision. However, the concept is relatively untested in Vietnam. Similarly, there is no legal guidance as to what constitutes a reasonable or otherwise enforceable indemnification provision.

34 Can the parties contractually agree to waive or limit certain types of damages? Are disclaimers and limitations of liability generally enforceable? What are the exceptions, if any?

Both waivers and limits on liability are frequently used in international licensing agreements, and are not prohibited in Vietnam. Thus, parties can contractually agree to waive or limit liability to certain types of damages. However, the enforcement and scopes of both are relatively untested. The enforceability of this waiver must be under the judge's

discretion. Currently, these matters have not been clarified under Vietnamese law or jurisprudence.

Termination

- 35 Does the law impose conditions on, or otherwise limit, the right to terminate or not to renew an international licensing relationship; or require the payment of an indemnity or other form of compensation upon termination or non-renewal? More specifically, have courts in your jurisdiction extended to licensing relationships the application of commercial agency laws that contain such rights or remedies or provide such indemnities?**

There are no conditions, or other limitations, on the right to terminate or not renew a licence relationship. Vietnamese law does not differentiate between national and international licensing relationships. The concerned parties can reach agreements on any circumstances or obligations of the parties for termination or non-renewal of a licence agreement.

- 36 What is the impact of the termination or expiration of a licence agreement on any sub-licence granted by the licensee, in the absence of any contractual provision addressing this issue? Would a contractual provision addressing this issue be enforceable, in either case?**

In the absence of any contractual provision stating otherwise, the termination or expiration of a licence agreement will result in termination or expiration of any sub-licence granted by the licensee. If there are contractual provisions on this issue, the law respects such agreements between the concerned parties and a contractual provision addressing this issue will be enforceable, except when the termination of the licence agreement is caused by the termination of validity of the licensed industrial property rights.

Bankruptcy

- 37 What is the impact of the bankruptcy of the licensee on the legal relationship with its licensor; and any sub-licence that the licensee may have granted? Can the licensor structure its international licence agreement to terminate it prior to the bankruptcy and remove the licensee's rights?**

The bankruptcy of the licensee will not automatically result in the termination of the licensing relationship with the licensor and any sub-licencee. However, during the bankruptcy proceeding, on the perception that the performance of the licence contract may have negative impacts on the licensee, the creditors or the licensee may request the competent authority to suspend the execution of the contract.

The licensor can structure its international licence agreement to terminate the licence and remove the licensee's rights by including bankruptcy as a condition for termination of the licence as agreed to by both licensor and licensee under the licence agreement.

- 38 What is the impact of the bankruptcy of the licensor on the legal relationship with its licensee; and any sub-licence the licensee has granted? Are there any steps a licensee can take to protect its interest if the licensor becomes bankrupt?**

The bankruptcy of the licensor will not automatically result in the termination of the licensing relationship with the licensee and any sub-licencee. However, during the bankruptcy proceeding, on the perception that the performance of the licence contract may have negative impacts on the licensor, the creditors or the licensor may request the competent authority to suspend the execution of the contract.

The licensee can protect its interest if the licensor becomes bankrupt by including bankruptcy as a condition for termination of the licence as agreed to by both licensor and licensee under the licence agreement.

Governing law and dispute resolution

- 39 Are there any restrictions on an international licensing arrangement being governed by the laws of another jurisdiction chosen by the parties?**

In most cases, an international licensing agreement that involves a foreign element (eg, one party is an offshore organisation or individual or the assets are located offshore) can be governed by foreign law, provided that the application of that foreign law is not contrary to the 'fundamental principles of Vietnamese law'. However, the 'fundamental principles of Vietnamese law' have been interpreted very broadly and even seemingly minor inconsistencies could render contract terms unenforceable. Therefore, even provisions that seem almost standard to overseas licensors should be examined very carefully to ensure enforceability.

- 40 Can the parties contractually agree to arbitration of their disputes instead of resorting to the courts of your jurisdiction? If so, must the arbitration proceedings be conducted in your jurisdiction or can they be held in another?**

Generally, if the agreement involves a foreign element (eg, one party is an offshore organisation or individual or the assets are located offshore) the parties can mutually agree and set out in their agreement the method for settlement of dispute (by arbitration or by court, or even by a foreign arbitration or court) provided that the dispute does not fall into the exclusive jurisdiction of a Vietnamese court.

If a foreign arbitration organisation is selected, the arbitration proceedings can be conducted in another country.

In principle, foreign arbitration awards may be enforceable in Vietnam if such awards are declared in a country or by arbitration of a country that is party to an international treaty that Vietnam has signed or acceded to. As Vietnam is a party to the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards, foreign arbitration awards could thus be enforceable in Vietnam.

Tilleke & Gibbins

Linh Thi Mai Nguyen
Tu Ngoc Trinh
Son Thai Hoang
Chi Lan Dang

mailinh.n@tilleke.com
ngoctu.t@tilleke.com
son.h@tilleke.com
chi.d@tilleke.com

HAREC Building, 4th Floor
4A Lang Ha, Ba Dinh District
Hanoi
Vietnam

Tel: +84 24 3772 6688
Fax: +84 24 3772 5568
www.tilleke.com

41 Would a court judgment or arbitral award from another jurisdiction be enforceable in your jurisdiction? Is your jurisdiction party to the United Nations Convention on the Recognition and Enforcement of Foreign Arbitral Awards?

Yes, on the face of the law, a foreign court judgment or foreign arbitration awards can be enforceable in Vietnam in accordance with applicable regulations.

In case of dispute settlement by foreign arbitration, Vietnam is a member of the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards. A foreign award from a country that is not a party to the New York Convention may also be enforced in Vietnam on a reciprocal basis. However, foreign arbitral awards need to go through recognition in a Vietnamese court before they can be enforced (unless there is voluntary compliance by the franchisor), unlike domestically rendered arbitral awards. The recognition proceedings are cumbersome and usually take a year or more to complete.

In case of dispute settlement by the foreign court, it is important to note that the possibility to enforce a foreign court judgment in Vietnam is very limited. A foreign court judgment may be enforced in Vietnam on a treaty or reciprocal basis. A treaty on mutual legal assistance with a foreign country is a potential occasion to recognise and enforce the foreign court's judgments. However, Vietnam has entered into very few treaties of this type.

42 Is injunctive relief available in your jurisdiction? May it be waived contractually? If so, what conditions must be met for a contractual waiver to be enforceable? May the parties waive their entitlement to claim specific categories of damages in an arbitration clause?

Yes, Vietnam has provisional emergency measures (roughly akin to temporary injunctive relief in certain other jurisdictions). Provisional emergency measures are where courts can provisionally deal with the urgent requests of the involved parties, to protect evidence and preserve their current conditions in order to avoid irrecoverable damage or to ensure judgment execution.

There is no legal guidance as to the precise extent or scope of waiver of injunctive relief, which is relatively untested in Vietnam. This means that injunctive relief can be waived contractually, but it cannot be enforceable in practice. The enforceability of this waiver must be under the judge's discretion. Currently, these matters have not been clarified under Vietnamese law or jurisprudence.

Getting the Deal Through

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Agribusiness
Air Transport
Anti-Corruption Regulation
Anti-Money Laundering
Appeals
Arbitration
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Cartel Regulation
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Competition Compliance
Complex Commercial Litigation
Construction
Copyright
Corporate Governance
Corporate Immigration
Cybersecurity
Data Protection & Privacy
Debt Capital Markets
Dispute Resolution
Distribution & Agency
Domains & Domain Names
Dominance
e-Commerce
Electricity Regulation
Energy Disputes
Enforcement of Foreign Judgments
Environment & Climate Regulation
Equity Derivatives
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Public Procurement
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Real Estate M&A
Renewable Energy
Restructuring & Insolvency
Right of Publicity
Risk & Compliance Management
Securities Finance
Securities Litigation
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