

## CPTPP obligations alter Vietnam's IP landscape

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The Comprehensive and Progressive Agreement for Trans-Pacific Partnership is ushering in a new era of stronger intellectual property protection with a number of significant changes, some of which take immediate effect. Mai Duy Linh of T&G Law Firm LLC, associate firm of Tilleke & Gibbins, delves into how these changes resulted in the quick roll-out of a draft bill to amend the current related law on and bring it in line with Vietnam's obligations under the agreement.



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Due to significant changes to the intellectual property (IP) landscape, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) indeed poses major challenges to Vietnam in implementing its obligations. Most of the obligations aim to enhance protection for IP proprietors. This will have a particular impact on the life science sectors, benefitting foreign pharmaceutical and agrochemical companies but reducing opportunities, at least in the short-term, for Vietnamese companies.

The obligations under the CPTPP are widespread. The IP chapter of the agreement is the only chapter with obligations affecting both CPTPP members and other member countries of the World Trade Organization. Non-bloc countries with strong IP-based economies such as the EU and the US still enjoy protection at the same level as other CPTPP members.

Vietnam is turning to Industry 4.0 to drive the economy forward, and some Vietnamese companies are now developing IP-oriented products. Thus, as IP serves as an engine for the economy, Vietnam should make the most of the opportunity the CPTPP affords across various areas, including those set out below.

### **Enforcement**

Under the CPTPP, Vietnam must boost the effectiveness of its fight against IP infringement. To this end, Vietnam must assume responsibility for making the enforcement system more transparent and equitable, guaranteeing public access to all its rulings. More significantly, Vietnam must additionally criminalise some IP offenses such as wilful import or export of counterfeit trademark goods or pirated copyright goods, wilful import and domestic use of counterfeit labels or packaging, recording, and trade secret infringement.

Pursuant to a resolution of the National Assembly, Vietnam will amend the prevailing Penal Code in the next three years to codify these crimes. Vietnam would also leave out the requirement for a complaint from the IP owner to take criminal action against counterfeiting.

Regarding border control, the CPTPP requires that a right holder be provided with specific information about a shipment at issue. The CPTPP also allows an ex officio seizure of counterfeits in transit, in a two-year transition, and exports in a three-year transition.

This regulation clears up the doubt whether export of goods could constitute IP infringement. The regulation will also nullify the current relevant provision of the Law on Customs, which spares goods in transit from sanctions.

The pact also requires Vietnam to either pinpoint statutory damages or provide for punitive damages. Currently, no punitive damages are available in Vietnam. As to statutory damages, Article 205.1(c) of the Law on Intellectual Property allows the plaintiff to claim damages, which are capped at VND500 million (\$21,739). However, to this end, in addition to the rationale for the claim, the plaintiff must prove that it cannot establish the actual damages. Thus, in fact, this provision has never been effective in practice, and on balance of convenience, courts often refuse to apply the provision.

### **Trademarks**

Under the CPTPP, within three years, Vietnam must set up a mechanism to register sound trademarks, and do its best to register scent trademarks. Currently, the country only protects visible trademarks.

The country must also revisit its approach in recognising the well-known status of a trademark. Currently, authorities acknowledge the well-known status of a mark only if the mark acquires a very high degree of public knowledge from almost every walk of life, a practice that conflicts with the commitments in the CPTPP.

### **Licence recording**

The CPTPP eliminates the requirement for registering a trademark licence to establish the validity of such licence against a third party. The draft bill emphasises this elimination, and also sets out that the use of the trademark by the licensee would inure to the benefit of the trademark owner. However, the bill does not specify whether the use of the trademark by companies economically related to the trademark owner, such as affiliates and subsidiaries, also amounts to authorised use.

Licences for other registered IP such as patents still need to be registered to be enforceable against a third party. This presents hurdles to business transactions due to the vague definition of the term "third party". Any entity other than the signatories, including banks and tax authorities, can claim to be the third party to such license agreement, which may complicate the performance of obligations under unregistered licences.

### **Domain name disputes**

Currently, domain name dispute resolution is itself a matter of dispute between duelling authorities. The Ministry of Science and Technology, which administers IP matters, and the Ministry of Information and Communication (MIC), which administers internet matters, have thus far been unable to reach an agreement to set up effective regimes for resolving disputes involving country code top-level domains.

The CPTPP requires Vietnam to set up such a regime. In line with this provision, the National Assembly passed a resolution to require an amendment to Article 130.1(d) on cybersquatting of the Law on Intellectual Property. However, the draft bill does not set out the amendment. Rather, the Ministry of Industry and Trade, which took charge of drafting the bill, recommended the MIC revise the relevant provisions in Decree No.72/2013/ND-CP to reflect the CPTPP's requirement.

It seems that the battle of domain name disputes between the two ministries still lingers.

### **Other IP subject matters**

The CPTPP significantly expands the grace period for patent novelty, from six months to 12 months. Vietnam will need to extend the exceptions for determining novelty when assessing the patentability of an invention. The agreement also alludes to protection of geographical indications, especially in connection with trademarks, and affords protection to the translation or transliteration of geographical indications.

### **Commitments to specific industries**

In the agrochemical industry, Vietnam must ensure data exclusivity for undisclosed clinical trial data or other data for agricultural products for 10 years.

Particularly, Vietnam's regulatory agency must not grant marketing approval to unauthorised parties, for example generic manufacturers, based on data concerning the safety and efficacy of an approved product that has been submitted by other parties in either Vietnam or in other countries. Vietnam has a 10-year transition period to implement this obligation.

In the pharmaceutical sector, Vietnam must also establish a patent linkage system in connection with the marketing approval process.

### **Balance of enforcement**

The CPTPP seems to create more balanced treatment for entities accused of IP infringement. When the court does not find infringement, the court can award the defendant reasonable legal fees that it spends for the suit. Under the prevailing Law on Intellectual Property, only the plaintiff is entitled to such legal fee award.

In addition, the pact also allows Vietnam to punish the abuse of IP rights by the owner. The draft bill supplements Article 198 of the prevailing Law on Intellectual Property to lay down such regulation. However, the supplemented article does not go into detail about how to determine the abuse.

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