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# Anti-counterfeiting 2019

Vietnam

Tilleke & Gibbins

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## A Global Guide



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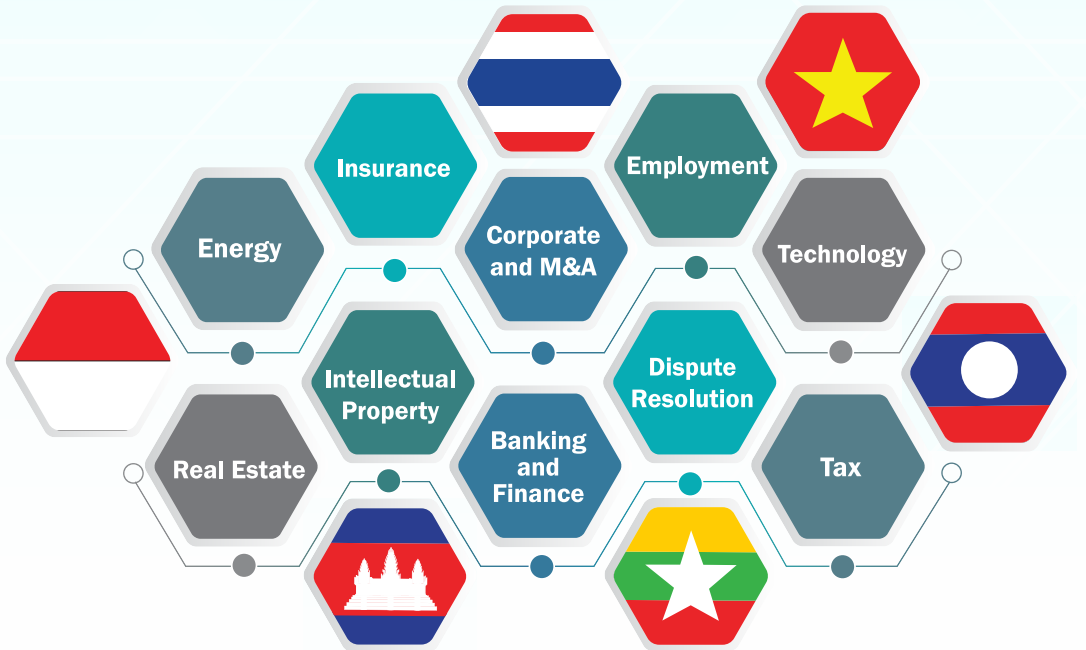
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# Vietnam

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## Legal framework

Vietnam has either acceded to or become a member of a number of bilateral and multilateral treaties on intellectual property. The main international treaties to which Vietnam is a party include:

- the International Union for the Protection of New Varieties of Plants;
- the Berne Convention for the Protection of Literary and Artistic Works;
- the Paris Convention for the Protection of Industrial Property;
- the Convention for the Protection of Producers of Phonograms Against Unauthorised Duplication of their Phonograms;
- the Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organisations;
- World Intellectual Property Organisation;
- the Madrid Agreement Concerning the International Registration of Marks;
- the Madrid Protocol;
- the Association of Southeast Asian Nations Framework Agreement on Intellectual Property Cooperation;
- the Patent Cooperation Treaty; and
- the Agreement on Trade-Related Aspects of Intellectual Property.

As a part of its World Trade Organisation commitments and its commitments under other trade agreements, Vietnam has introduced a number of laws to better protect IP rights. The principal national laws and regulations include:

- the Law on Intellectual Property 2005 (amended in 2009);
- the IP crimes provisions of the Penal Code 2015 (amended in 2017);
- Decree 22/2018/ND-CP, which guides the implementation of several provisions on copyright and related rights of the Law on Intellectual Property;
- Decree 103/2006/ND-CP, which provides detailed regulations and implementing guidelines on a number of articles of the Law on Intellectual Property regarding industrial property (amended by Decree No 122/2010/ND-CP);
- Decree 105/2006/ND-CP, which provides detailed regulations and implementing

guidelines on the Law on Intellectual Property regarding the protection of IP rights and the state management of IP rights (amended by Decree No 119/2010/ND-CP);

- Decree 99/2013/ND-CP on the administrative sanctions in the field of industrial property; and
- Decree 131/2013/ND-CP on the administrative sanctions in the field of copyright and related rights.

In theory, the applicable laws have the highest priority, followed by decrees (promulgated by the government) and circulars (issued by the relevant ministries). However, in practice, the competent authorities often give higher weight to decrees and circulars as they are usually the most detailed regulations.

International treaties have priority over domestic laws if conflicts arise.

### Border measures

Border control measures are not only available to trademark holders but also to holders of other IP rights, (eg, patents and copyrights). These measures include:

- monitoring and supervision to detect goods suspected of infringing IP rights; and
- the suspension of customs clearance for goods suspected of infringing IP rights.

### Customs monitoring

To commence a border control measure, the rights holder must apply to add its registered intellectual property (eg, trademarks) to the customs database, as it will help the customs authorities to recognise infringing versions of the original products, and improve the chances of such suspect items being blocked at the border.

To be registered in the customs database, the rights holder must file an application requesting registration. The following documents must be submitted with the application:

- documents attesting to the rights of the applicant (eg, certified copies of the certificate of trademark registration or other similar documents);
- documents relating to the goods for recordal, including:
  - a list of authorised importers and exporters;

- the mode of import and export of genuine goods;
- a description of how to distinguish the genuine goods from infringing ones;
- documents detailing the origin of genuine goods;
- pictures of genuine goods; and
- a notarised and legalised power of attorney (if filed through a local IP agent).

The applicant should also submit the following supporting documents if they are available:

- information on the estimated time and venue of import and export;
- expert opinions on the infringing goods; and
- decisions by enforcement agencies in similar cases of infringement of the goods in question.

No later than 20 days from the receipt of the request, the customs office should notify the applicant of whether it has accepted or rejected the application. The effective period of recordal is one year from the date of the acceptance notice by the customs office and may be extended for a further year on request. After this, the rights holder must re-file a fresh application if it wishes to pursue the monitoring.

### Suspension of infringing shipments

On acceptance of the rights holder's request for monitoring, the customs offices will begin monitoring for infringing goods. When the authorities detect suspected goods, the customs office will temporarily suspend the clearance of the goods and notify the rights holder or its representative for further actions. Within three working days from the date of the notice, the rights holder or its representative must submit an application for suspension and a deposit bond or bank guarantee for an amount equal to 20% of the value of the goods that are subject to the suspension or at least D20 million (approximately \$860), if the total value of the goods cannot be determined.

If the rights holder knows about a suspected illegal shipment of its products, it can also work together with the customs authorities to detain such shipments even if monitoring is not requested beforehand.

Within the prescribed time limit for suspension, the rights holder is entitled to obtain evidence for verifying whether the suspended goods are infringing. If infringement is found, the rights holder should proceed with possible actions, which include:

- initiating a civil lawsuit against the owner of the detained goods;
- requesting the customs office to take administrative action against the owner of the detained goods; or
- reaching a settlement agreement with the owner of the detained goods.

Rights holders should either hold training courses for customs officials or participate in seminars organised by them to raise awareness about infringing goods, which can lead to more effective customs monitoring.

### **Criminal prosecution**

In Vietnam, criminal prosecutions impose the harshest penalties for IP infringement. Criminal charges can be brought against copyright infringement and trademark and geographical indication counterfeiting under Articles 225 and 226 of the Penal Code, respectively.

### **Remedies against counterfeiting**

A counterfeiter will be subject to criminal penalties if:

- they commit counterfeiting of trademarks or geographical indications;
- the counterfeiting is wilful; and
- the counterfeiting is:
  - on a commercial scale;
  - the individual makes illegal profit beyond a certain monetary threshold; or
  - the value of counterfeit goods is in a certain monetary range.

Article 226 of the Penal Code sets forth criminal penalties for individuals, which include the following:

- fines from D50 million to D1 billion (approximately \$2,100 to \$43,000);
- non-custodial sentences of up to three years;
- imprisonment from six months to three years; and
- bans on:
  - holding certain posts;
  - practising certain professions; or

- performing certain jobs for between one and five years.

The new Penal Code, which came into effect in 2018, has introduced the concept of corporate criminal liability. The IP-related articles of the new Penal Code provide the penalties which are applicable to companies for IP infringement and violations, which are significantly higher than the penalties for individuals. Penalties for corporate legal entities include:

- fines from D500 million to D5 billion (approximately \$21,000 to \$210,000);
- business suspensions from six months to two years; and
- bans from operating in certain fields or raising capital for one to three years.

### **Proceedings**

The authorities can prosecute IP infringement-related crimes only at the rights holder's request. Under the Law on Criminal Proceedings, a criminal case subsequently undergoes the following phases:

- investigation – investigators (eg, the police) assume the responsibility to discover and collect evidence to establish the guilt of the alleged offenders;
- indictment – prosecutors consolidate their indictment and prepare a charge against the alleged offenders; and
- trial – a competent court opens a trial to judge the case based on the prosecutor charges.

### **Noteworthy points to consider**

Taking criminal action against IP crimes is almost impossible. So far, there has been no clear judicial guidance on what constitutes 'commercial scale', which is one of the requirements for commencing criminal action. In addition, the other thresholds for 'generating illegal profits', 'causing damages to the IP owner' and the 'value of infringed goods' are difficult to prove and identify due to the lack of a clear mechanism to do so. As a result, taking criminal action for IP rights infringement is currently a complicated process.

The authorities often tend to apply related articles of the Penal Code to file charges against infringers of IP rights (eg, Article 192 on the crime of manufacturing and trading in counterfeits and Article 188 on smuggling).



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## Civil enforcement Court system

The Vietnamese courts have a two-level adjudication system (ie, first instance and appeal). In addition, Vietnamese law also provides for the following special procedures to review enforceable decisions and judgments:

- cassation review (judicial review), which can be used in cases where there is serious breach of the law in the course of the handling of the case; and
- new trial (or retrial), which can be used when there has been a finding of fresh evidence which may change the judgment or decision of a court which was previously unknown to

the parties or the court when judgment or decision was made.

There are no special chambers that specifically deal with IP cases. IP disputes are treated as other disputes when it comes to resolution by the courts.

### Available remedies

The following remedies are available for IP infringement through the courts:

- compulsory termination of the infringing act;
- compulsory public rectification and apology;
- compulsory performance of civil obligations;



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- compulsory compensation for damages; and
- compulsory destruction, distribution or putting to use for non-commercial purposes of the infringing goods, including materials and implements used in the production and trade of the infringing goods, provided that this does not affect the use of the rights by the original rights holder.

### Preliminary measures

Preliminary injunctions (PIs) are available under Vietnamese law. The court may apply the following PIs to suspected infringing goods or materials and implements used for the production and trading of such goods,

to prevent and mitigate the consequences of infringement:

- seizure;
- attachment;
- sealing, prohibiting any alteration of the original state or prohibiting any movement;
- prohibiting the transfer of ownership rights; and
- other applicable PIs prescribed under the Code on Civil Proceedings.

An application for a PI can be lodged at any time during civil action. If the application is filed before the hearing, the judge in charge of the case will consider and decide on whether to grant the PI. If the application is filed during the hearing, the judging panel will consider and decide on whether to grant the PI.

The applicant must prove to the court that its request for a PI is reasonable. Under Article 206 of the Law on Intellectual Property, the request is deemed reasonable if:

- there is a demonstrable risk of irreparable damage to the rights holder; or
- there is a demonstrable risk of removal or destruction of the suspected infringing goods or relevant evidence of infringement if they are not protected in a timely manner.

### Jurisdiction

When deciding on the jurisdiction of a case, the following principles apply:

- The court with jurisdiction to resolve IP disputes at the first instance is the court of the defendant's locality (ie, where the residence or workplace of the defendant is located if the defendant is an individual or where the head office of the defendant is based if the defendant is an organisation or body). If the concerned parties agree (in writing) the court in the plaintiff's locality can be petitioned to resolve the IP dispute.
- If the suit involves a foreign element (ie, the plaintiff is a foreign company) the provincial court has jurisdiction over the case in the first instance.

### Proceedings

The trial procedure involves the following steps:

- The plaintiff files the court case within the timeframe provided under the statute of limitations.

- The court examines the petition within five working days from the date of receiving the petition and decides whether to accept the case.
- If the petition is accepted, the court will notify the plaintiff to proceed with the payment of a court fee deposit. The plaintiff has 15 days from the date of receipt of the notification to pay a court fee. The court will officially accept the case when the plaintiff submits a receipt for the payment of the court fee deposit.
- Within three working days, the chief justice of the court assigns a judge to take charge of the case.
- The appointed judge is obliged to notify the concerned parties of the acceptance of the case and to request them to lodge documents and evidence with the court, if necessary. The concerned parties have the right and obligation to lodge requested opinions and evidence with the court within a period of 15 days from the date of receipt of the court's notification.
- The timeframe for preparation for trial of IP-related cases is two months from the date of official acceptance of the case by the court. The timeframe can be extended further by one month. However, in practice, it often takes four to 12 months for a court case to go to hearing.
- During trial preparation, the court carries out conciliation to enable the parties to reach an agreement on the settlement of the case. If the case is settled, the court will issue a decision acknowledging the settlement. Such a decision is immediately enforceable and binding on the relevant parties.
- The hearing must be conducted within one month from the date of the decision to hear the case. Following the hearing, the court will issue a judgment on the case.
- The judgment can be appealed to a higher court within 15 days from its issuance. The timeline for the appellate court action is generally the same as that of the first-instance trial. The appellate court's judgment is final and enforceable.
- The concerned parties can then request the civil judgment enforcement agencies to enforce the final judgment.

### Other information

In general, very few IP cases have been heard by the Vietnamese courts. This is mainly because rights holders are inclined to employ administrative action when it comes to infringement. However, in recent years there has been a trend to employ civil action to deal with IP infringement, especially when it comes to patent infringement.

Most judges have a very low level of expertise when it comes to IP cases. Due to the lack of knowledge and experience in intellectual property, the Vietnamese courts often rely on expert opinions during cases. Thus, generally speaking, the decisive factor in a civil action can frequently be the expert opinion from an authorised expert witness.

### Anti-counterfeiting online

#### Current situation

The illegal online trading of pirated works and counterfeit products has been rising with the development of technology. However, the issue has not been well-addressed. The main reasons that internet anti-counterfeiting measures have been ineffective include the following:

- It takes a lot of time to track down online counterfeits as they often have no clear fixed place of business and no single place for delivery. In some cases, it is impossible to locate the whereabouts of the infringers as they provide fake addresses.
- Sellers typically maintain low inventories. Therefore, the competent authorities consider them low-profile infringers and are reluctant to carry out raids on them.
- The competent authorities do not have much experience in dealing with online counterfeiting.
- The enforcement of decisions against online counterfeiters can be problematic. In most cases, the infringers are individuals. However, the regime for enforcing individual infringers to comply with sanctioning decisions exists, but it is not effective.

### Legal framework

E-commerce is specifically governed by Decree 52/2013/ND-CP. Under this decree, trading in counterfeits online is prohibited. The legal actions that can be taken against counterfeiting are laid out in the Law on Intellectual Property



and its subordinate legal documents. Therefore, the legal actions against online counterfeiting cases and physical counterfeiting cases are virtually the same.

### **Internet service provider liability**

In a counterfeiting case, the internet service provider (ISP) contributes to infringement by providing a platform for the sellers to trade in counterfeits online. In other jurisdictions, the ISP can be held liable for contributory infringement. However, in Vietnam, contributory infringement is not specifically laid out in the prevailing laws and regulations. Therefore, ISPs are generally not held liable for counterfeiting if they do not directly get involved in the counterfeiting.

Despite the above, ISPs bear certain responsibilities to assist legal action conducted by the authorities. According to Joint Circular 07/2012/TTLT-BTTTT-BVHTTDL, in cases of trading in pirated works, ISPs must remove and delete digital content which violates copyright and related rights and cut, stop and suspend the internet line or telecoms line at the request of the competent authorities. As construed from the circular, an ISP is not required to take down infringing material on the request of the rights holder.

### **Preventive measures/strategies**

From the outset, brand owners must fend for themselves when implementing an anti-counterfeiting strategy. It is advised that they use technological measures to protect their products and use unique markings to distinguish genuine products from fakes. Such measures and markings should be kept secret and only authorised personnel should have access to such information. This type of strategy helps to discourage counterfeiters and hinder counterfeiting attempts.

To ensure the effectiveness of an anti-counterfeiting programme, rights holders should effectively manage their IP portfolio by conducting audits on a regular basis. Through such audits, the portfolio owner can systematically review its intellectual property so as to assess and manage risk, remedy problems and implement best practices in IP asset management. An appropriate

enforcement strategy can be devised following an audit and through the management of an IP portfolio in general.

The adoption of a comprehensive regional enforcement strategy is also important to successfully protect IP rights. Counterfeiting can easily become transnational as the world becomes smaller and economies, especially within one region become increasingly integrated. Counterfeits in one country can originate from other countries. Therefore, it is vital for multinational companies to work out a regional enforcement strategy to effectively enforce their rights.

A regular enforcement campaign against counterfeiting also contributes to eliminating counterfeits from the market. For a campaign to be effective, it is necessary to conduct regular market monitoring to detect the market entry of counterfeits. Further, brand owners should attach importance to educating the authorities about their products. These educational sessions can show the authorities how to distinguish between genuine and fake products, which facilitates effective market monitoring by the authorities as well as any *ex officio* actions they take.

Raising the awareness of the buying public about counterfeits is also a smart approach to take when tackling counterfeiting. In addition to the economic benefit it brings, raising awareness about IP rights and their enforcement will help to protect consumers from the potential dangers of counterfeit products. **WTR**

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