

# PANORAMIC **LICENSING**

Vietnam



LEXOLOGY

# Licensing

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## OVERVIEW

**Restrictions**

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 or a joint venture with a Vietnamese party. Establishing a subsidiary or branch office in Vietnam is optional. There are no restrictions against a foreign licensor entering into a licence agreement without establishing a subsidiary or branch office in Vietnam.

However, after Decree No. 53/2022/ND-CP of the Government dated 15 August 2022 elaborating a number of articles of the Law on Cybersecurity took effect on 1 October 2022, certain businesses are required to establish a subsidiary or branch office in Vietnam. In particular, a foreign enterprise must establish a subsidiary (eg, company, branch, or representative offices) in Vietnam when all the following conditions are satisfied:

- the enterprise is conducting business in Vietnam in any of the following fields:
  - telecommunication services;
  - data storage and sharing in cyberspace;
  - provision of national or international domain names for service users in Vietnam;
  - e-commerce;
  - online payment;
  - payment intermediaries;
  - connection and transportation services in cyberspace;
  - social media and social communications;
  - online games; or
  - information provision, management, or operation services in cyberspace in the form of messages, calls, video calls, email, or online chatting;
- the services provided by the enterprise are used for violations of laws on cybersecurity;
- the Department of Cybersecurity and Hi-Tech Crime Prevention of the Ministry of Public Security has notified the enterprise and requested cooperation, prevention, investigation, and handling in writing; and
- the enterprise fails to comply with or incompletely complies with such documents or prevents, obstructs, disables, or nullifies the effect of cybersecurity protection measures performed by cybersecurity protection forces.

In general, 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), which will set out content relating to the investment project, such as:
  - investors;
  - project location;
  - objectives and scale of the project;
  - investment capital; or
  - investment incentives and restrictions; and
- an Enterprise Registration Certificate (ERC), which 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.

**Law stated - 1 December 2023**

## KINDS OF LICENCES

### Forms of licence arrangement

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, including:
  - copyright licence arrangements (which include software licences, performance or TV show licences and music licences);
  - industrial property rights licences (such as patent licences, trademark or service mark licences and industrial design licences);
  - plant variety licences;
  - technology transfer licences; or
  - franchise agreements; and
- licence arrangements that are regulated by civil laws, which covers other types of licences, for example:
  - celebrity and character licences;
  - right of publicity licences; or
  - licence agreements for non-registered industrial property subject matters.

Law stated - 1 December 2023

## LAW AFFECTING INTERNATIONAL LICENSING

### **Creation of international licensing relationship**

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.

**Law stated - 1 December 2023**

### **Pre-contractual disclosure**

#### **What pre-contractual disclosure must a licensor make to prospective licensees?**

There are no specific pre-contractual disclosure obligations for the licensor to make to prospective licensees under Vietnamese law, except for franchise agreements. 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 before conducting franchising activities in Vietnam.

The newly revised [Law on Intellectual Property \(IP Law\)](#) after the signing of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership eliminates the requirement for registering a trademark licence to establish the validity of such licence against a third party. The law also sets out that the use of the trademark by the licensee would inure to the benefit of the trademark owner. However, 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 owing 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 a licence agreement, which may complicate the performance of obligations under unregistered licences.

**Law stated - 1 December 2023**

## Registration

**Are there any requirements to register a grant of international licensing rights with authorities in your jurisdiction?**

The newly revised IP Law eliminates the requirement for registering a trademark licence to establish the validity of such licence against a third party. The law also sets out that the use of the trademark by the licensee would inure to the benefit of the trademark owner. In other words, a grant of international licensing rights is not required to be registered with the authorities.

However, 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 owing 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 a licence agreement, which may complicate the performance of obligations under unregistered licences.

**Law stated - 1 December 2023**

## INTELLECTUAL PROPERTY ISSUES

### Paris Convention

**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 1883 since 1949, the Patent Cooperation Treaty 1970 since 1993 and the Agreement on Trade-Related Aspects of Intellectual Property Rights 1994 since 2007.

**Law stated - 1 December 2023**

### Contesting validity

**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 Law on Intellectual Property (IP 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 regarding 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.

**Law stated - 1 December 2023**

### Invalidity or expiry

**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 intellectual property right (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 a 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.

**Law stated - 1 December 2023**

### **Unregistered rights**

**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 IPRs to which rights are established upon registration, is not considered a licence agreement and cannot be recorded at the Intellectual Property Office of Vietnam (IP Office). However, the rights 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 matters for which the rights are not derived from registration (such as copyright), the licence can be made without registration.

**Law stated - 1 December 2023**

### **Security interests**

**Are there particular requirements in your jurisdiction to take a security interest in intellectual property?**

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

**Law stated - 1 December 2023**

### **Proceedings against third parties**

**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.

**Law stated - 1 December 2023**

### **Sub-licensing**

**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.

**Law stated - 1 December 2023**

### **Jointly owned intellectual property**

**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 IP Office 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.

In the case of copyright, the exercise of moral rights and property rights over a work created by co-authors must also be consented to by the co-authors. However, the laws provide an exception 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, without prejudicing other co-authors' parts and unless the law requires otherwise, 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.

Law stated - 1 December 2023

### **First to file**

**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 license the use of an invention, but it would not be considered a licence of a patent application and cannot be recorded. Such a licence agreement will be treated as a contract governed by civil laws.

Law stated - 1 December 2023

### **Scope of patent protection**

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

Software and business processes/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'.

Regarding business processes or methods, according to the Vietnamese Guidelines for Patent Examination, the claimed subject matter will be excluded from patent protection if it:

- is merely directed to a method of doing business;
- does not use technical means;
- does not solve any technical problems; and
- does not create any technical effects.

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 as such.

### 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 to 163 of the IP Law.

Processes of plant or animal production that are not microbiological processes and are principally of biological nature are not protected either, 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 the 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 is protectable.

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.

**Law stated - 1 December 2023**

### **Trade secrets and know-how**

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. 07/2017/QH 14, dated 19 June 2017 and effective from 1 July 2018, 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 2.1 of the Law on Technology Transfer, 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. Know-how includes technical know-how and technological know-how.'

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.

**Law stated - 1 December 2023**

### **Trade secrets and know-how**

**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.

**Law stated - 1 December 2023**

### **Copyright**

**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;
- works of art 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 the works of others.

**Law stated - 1 December 2023**

## SOFTWARE LICENSING

### **Perpetual software licences**

**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 Law on Intellectual Property (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 a 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.

**Law stated - 1 December 2023**

### **Legal requirements**



### 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 or hard disk, 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 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.

Law stated - 1 December 2023

### Restrictions on users

#### Are there 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 without transferring such copy to other organisations or individuals. The licensee is also entitled to fix any errors on this copy, when necessary, for their use. Other than that, there are no legal restrictions in Vietnam concerning 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.

Law stated - 1 December 2023

## ROYALTIES AND OTHER PAYMENTS, CURRENCY CONVERSION AND TAXES

### Relevant legislation

#### 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. According to the Civil Code 2015, the agreed interest rate must not exceed 20 per cent per annum of the amount overdue.

Law stated - 1 December 2023

### Restrictions

## 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 outbound payment, whether to an overseas licensor or otherwise.

The foreign exchange rule is that:

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).

This means that the licensee's transactions with its onshore vendors would generally need to be denominated and paid in local currency. However, the current laws allow a licensee's transaction with its offshore vendors to be denominated and paid in foreign currency. For outbound transfers, commercial banks in Vietnam are imbued by law with discretion to scrutinise and examine underlying documents before allowing outbound transfers. Thus, the offshore vendors may need to provide the local licensee with some documents, such as invoices, for implementing such outbound transfers.

**Law stated - 1 December 2023**

## Taxation of foreign licensor

### 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.

**Law stated - 1 December 2023**

## COMPETITION LAW ISSUES

### Restrictions on trade

#### 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, under the 2018 Competition Law, which came into effect on 1 July 2019, agreements to restrain technical or technological development or agreements not to trade with parties not participating in the agreements are prohibited if such agreements 'have or potentially have the effect of significantly restricting competition in the market'.

**Law stated - 1 December 2023**

### **Legal restrictions**

**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. The Law on Intellectual Property (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 the 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 about 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 competition restrictions where the parties thereto hold a dominant market position in the relevant market or where such agreements 'have or potentially have the effect

of significantly restricting competition in the market in Vietnam', unless the transaction is exempted under the law.

Law stated - 1 December 2023

### **IP-related court rulings**

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

There have been no rulings by the courts that certain uses (or abuses) of intellectual property rights (IPRs) have been anticompetitive. However, the local laws have some provisions relating to the use or abuse of IPRs that could be considered 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 intellectual property (IP) protection.

However, when enterprises hold a dominant market position (a dominant market position exists when one enterprise has significant market power as set out by the law or has at least a 30 per cent market share of the relevant market; a group of enterprises is deemed to hold a dominant market position when they act together to cause a competition-restraining impact and have significant market power as set out by the law or two enterprises have at least a 50 per cent market share, three enterprises have at least a 65 per cent market share, four enterprises have at least a 75 per cent market share, or five enterprises have at least an 85 per cent market share), they are not allowed to have agreements to restrain technical or technological development. However, the current laws do not have any specific provisions to clarify what constitutes an 'agreement to restrain technical or technological development'. In practice, as an example, acquiring invention patents, utility solution patents or industrial design patents for destruction or non-use purposes could be deemed as prohibited acts of enterprises holding a dominant market position or prohibited competition-restraining agreements if such agreements 'have or potentially have the effect of significantly restricting competition in the market'.

Law stated - 1 December 2023

## **INDEMNIFICATION, DISCLAIMERS OF LIABILITY, DAMAGES AND LIMITATION OF DAMAGES**

### **Indemnification provisions**

#### **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. However, note that Vietnamese contract law adopts the doctrine of 'compensation for damage' under which 'damage' must be actual and direct. 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.

Law stated - 1 December 2023

### **Waivers and limitations**

**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, under Vietnamese contract law, a party is obligated to compensate the other party for all actual and direct damages. Since the enforcement and scopes of both are relatively untested, in practice, the enforceability of this waiver or limit on liability must be under the judge's discretion. Currently, these matters have not been clarified under Vietnamese law or jurisprudence.

Law stated - 1 December 2023

## **TERMINATION**

### **Right to terminate**

**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 licensing 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.

Law stated - 1 December 2023

### **Impact of termination**

**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 the validity of the licensed industrial property rights.

Law stated - 1 December 2023

## BANKRUPTCY

### **Impact of licensee bankruptcy**

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-licensee. 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.

Law stated - 1 December 2023

### **Impact of licensor bankruptcy**

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-licensee. 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.

Law stated - 1 December 2023

## GOVERNING LAW AND DISPUTE RESOLUTION

### **Restrictions on governing law**

**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.

**Law stated - 1 December 2023**

### **Contractual agreement to arbitration**

**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 the 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 a party to an international treaty that Vietnam has signed or acceded to. Since Vietnam is a party to the United Nations Convention on the Recognition and Enforcement of Foreign Arbitral Awards 1958 (New York Convention), foreign arbitration awards could thus be enforceable in Vietnam.

**Law stated - 1 December 2023**

### **Enforceability**

**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. Ostensibly, a foreign court judgment or foreign arbitration awards can be enforceable in Vietnam in accordance with applicable regulations.

In the case of dispute settlement by foreign arbitration, Vietnam is a member of the New York Convention. A foreign award from a country that is not a party to the Convention may also be enforced in Vietnam on a reciprocal basis. However, foreign arbitral awards need to be recognised 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 the case of dispute settlement by the foreign court, 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, with limited countries.

**Law stated - 1 December 2023**

### **Injunctive relief**

**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 to avoid irrecoverable damage or to ensure judgment execution.

There is no legal guidance as to the precise extent or scope of the 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.

**Law stated - 1 December 2023**

## **UPDATES & TRENDS**

### **Key developments of the past year**

**Please identify any recent developments in laws or regulations, or any landmark cases, that have (or are expected to have) a notable impact on licensing agreements in your jurisdiction (including any significant proposals for new legislation or regulations, even if not yet adopted). Explain briefly how licensing agreements might be affected.**

Following the National Assembly's ratification of the revised Law on Intellectual Property in June 2022 (IP Law), the Vietnamese government issued Decrees 17 and 65 – taking immediate effect on 26 April 2023 and 23 August 2023 respectively – to provide necessary



guidance for the implementation of the Amended IP Law with respect to copyrights, related rights and industrial property rights.

Generally, the licence regulations were unaffected by these amendments, except for (1) licences related to patents, industrial designs or layout designs that are the results of scientific and technological tasks funded by the state budget; or (2) compulsory licences under which the patent owner failed to perform its obligations to use the patent in situations where disease prevention and treatment for the people was needed. To the best of our knowledge, Vietnam has not yet ruled on any compulsory licence in response to any health needs after these legal documents become effective.

**Law stated - 1 December 2023**