

Legal news

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Intellectual property

Legislators Ponder Changes to IP Field Through Draft law

By Nguyen Vu Nam

The Civil Code is the highest legal instrument of Vietnam covering the Intellectual Property (IP) field. Till now, the legislators are considering removing the provisions on IP from the Civil Code, and enacting a new law with specific regulations on all types of IP.

In its seventh session in May 2005, the National Assembly debated and commented on draft Intellectual Property Law (IP draft Law). The Law which is scheduled to be passed at the end of 2005, is widely expected to be an extensive reform of the current IP protection mechanism of the country.

Currently, great efforts are being made to prepare a comprehensive draft which aims to meet urgent requirements of international economic integration on one hand and protection of national interests and legitimate rights and interests of Vietnamese on the other. How to make the Law viable, effective and in accord with local and international legislation are some of the top concerns to the authorities in charge.

This article will discuss some specific issues for further improvements to the draft IP Law including (i) how to synchronise the Civil Code and the future IP Law; (ii) how to protect trade secrets and legitimate rights against acts of unfair competition; and (iii) how to improve the efficiency of IP right protection and enforcement in Vietnam.

The relationship between IP Law and IP rights related provisions under the Civil Code

As far as the legislation technique is concerned, the most spectacular scenario is to avoid having two laws to regulate the same objects, especially, when the future IP law becomes a unified legal documents specifically governing IP matters. Nevertheless, the fact is that the Civil Code (revised) has been adopted by the National Assembly and shall be effective as from January 1, 2006. The Code now includes three chapters (Chapter 34, 35 and 36) covering copyright and related rights, industrial rights and rights on plant seeds and technical transfers. The foremost and most important task now is to synchronise draft IP Law with the current regulations under the Civil Code. From the author's point of view, the following principles should be taken into account in the drafting process:

The Civil Code is a text providing essential principles for all civil relations in different fields. The IP Law is a specific law regulating both civil and administrative relations relating to IP matter in which civil related provisions and technology transfer must rely and comply with the principles already set forth in the Civil Code. However, as IP law is a specialised legal documents, the law must lay some provisions down as principles including those governing civil relations in the IP field.

The protection of trade secrets and legitimate rights against acts of unfair competition

You may think that Competition Law together with its guiding documents (those expected to be issued soon to help the law become practicable) has already governed the competition issues and it shall be of no use to deal with such matters in the IP draft Law. However, in my opinion, the protection of lawful rights against unfair competition in the IP field is different from that in the field of commerce. With the former, unfair competition acts relate more or less to some IP objects such as trademark or patent, but, as the regulations on these subject matters are not clear, detailed and, most importantly, not easily perceived by the judges, whom are, in most cases, regarded as layman, it is difficult for the Court to make a conclusion on whether there is an infringement act on trademark or patent. That is why we need the provisions on unfair competition in IP field be much more specific than those in the field of commerce. The rights of being protected against unfair competition are also included in Paris Convention and are the requirements for Vietnam to access to WTO.

Secret protection (previously mentioned as trade secret protection) is necessary, but the distinction between the terms "trade secret" and "know how" should be made to avoid the misunderstanding. The term "know how" stated in the regulations on technology has limits on transfer duration and transfer procedure, while the similar limits are not applied for "trade secret". If those terms are not explicitly specified, the transfer of know how may be reworded as "trade secret" to evade the legal requirements on the technology transfer.

Improving of efficiency of IP right protection in Vietnam

Vietnam is facing a number of challenges in its accession to the WTO. One of the challenges is to ensure full protection and implementation of IP regulations. Despite the strenuous efforts made by relevant competent authorities in IP piracy control, this kind of violation has not decreased. The production and blatant sale of fake and imitation goods and copyright piracy is growing. IP right infringement takes place in various operations and is present in various sectors. The main reasons for that fact is the penalties for copyright infringement are too low and not equal to the losses suffered by IP owners and the lawful user. Besides which, the enforcement of IP rights infringement is rather weak. It is suggested that the prosecution of copyright cases needs to be speeded up and the establishment of a special court or department to deal with IP cases should be realised. Furthermore, Vietnam urgently needs a co-ordinating body to oversee the enforcement of IP rights, as up to now too many governmental bodies are involved, resulting in too many overlaps in specific responsibilities.

The introduction of the IP Law will be a good opportunity for Vietnam to express its determination on the matter by taking practical and stable steps to fulfil its obligations under international bilateral trade treaties, participation in regional economic group, and its commitments under the WTO accession process.

IPR Laws Start To Grow Some Teeth

By Vu Thi Hong Yen

Like many other countries in the world, Vietnam legal system grants holders of industrial property rights (IPRs), including patent holders, the exclusive rights to exploit their protected IP subject matters and regulates enforcement measures to protect the exclusive rights against any infringements by third parties.

The effective enforcement of IPRs would be an important factor, much affecting foreign investors' decisions of whether to invest into a particular market. While creating a patent requires a costly investment, the effective protection of such valuable intangible asset would ensure the success of their investment in the market.

In accordance with relevant Vietnamese laws, enforcement measures to protect IPRs are civil procedures, administrative measures and criminal procedures. The main aim of these enforcement measures is to prevent any third parties who may use protected IP subject matters without the consent of the holders, to deter further infringements and sanction IPRs infringement acts.

Administrative procedures

Practically, administrative procedures are the most utilized means to enforce patent in Vietnam. These procedures are more cost effective and less time-consuming.

Enforcement of IPRs in accordance with administrative procedures is stipulated in a numerous laws and regulations, notably Government's Decree No. 63/CP dated October 24, 1996 on detailed regulations concerning industrial property rights (as amended and supplemented by Government's Decree No. 06/2001/ND-CP dated February 1, 2001), Ordinance on Sanction of Administrative Violations and Infringements 2002 and Government's Decree No. 12/1999/ND-CP dated March 6, 1999 on Sanction of Administrative Violations and Infringements in the field of IP.

Previously, in accordance with Ordinance on Sanction of Administrative Violations and Infringements 1995, administrative procedures do not allow for claims for compensation exceeding one millions VND for losses. However, as from October 1, 2002 (the effective date of the new Ordinance on Sanction of Administrative Violations and Infringements 2002), claims for compensation for damages caused by infringement acts are no longer be regulated by administrative procedures but are now subject to civil procedures.

The competent State authorities, who carry out State management in IP field, such as Economic Police, Market Management Bureau, Science & Technology Specialized Inspector, etc, shall have the right to sanction IP infringements, including patent infringements. Accordingly, competent State authorities while carry out their management tasks in IP field on behalf of the State shall have obligation of inspecting, discovering, determining patent infringements and putting sanction on the infringers. Holders, whose patents are infringed, may assist the competent State authorities in patent infringement determination by providing them with evidences relating to patent infringements.

The establishment of patent infringement is provided in the Government's Decree No. 12/1999/ND-CP dated March 6, 1999 on Sanction of Administrative Violations and Infringements in the field of IP and its guidelines. Accordingly, the determination of patent infringement is conducted by comparing each and all individual elements incorporated in each points of Claim of patent with elements of alleged infringing products/process. An infringing product or process must include each and every element of the patent defined in a Claim.

Patent holders shall have the right to request the competent State authority, basing on certain evidences which they may provide to them, to determine patent infringements and accordingly request the competent State authority to sanction patent infringement acts, which are carried out by infringers. Patent infringement acts include, but not limited to acts of producing, using, selling or importing/exporting the patented product, or using the patented process, or producing, using, selling or importing/exporting the product directly obtained through the patented process.

Administrative sanctions, which competent State authority may impose on patent infringement acts, comprise of main sanctions (warning or fine) and a number of additional sanctions and administrative remedies which competent State authority may additionally apply together with a main sanction where it is necessary. Noteworthy, some significant additional sanctions and administrative remedies are:

- (i) Temporarily or permanently revocation of Business License of infringers;
- (ii) Seizure of infringing materials;
- (iii) Removal of infringing elements from infringing articles;
- (iv) Destroying infringing materials of bad quality which may cause harm to human health; and

Practically, the improvement of patent enforcement in Vietnam in the last few years is greatly attributable to the effective operation of competent State authorities in their management tasks in the field of IP. The competent State authorities also pay an important role in the battle against IPRs infringements, including patent infringement. Patent holders in Vietnam seem to prefer administrative measures and remedies to enforce their rights rather than other enforcement measures.

However, due to the restraint IP knowledge of officials in the competent State authorities, the National Office of Intellectual Property of Vietnam, ("the NOIP") is frequently requested for assisting the competent State authorities in providing expert's opinions in the determination of IPRs infringements, especially patent infringements. It is a common practice for patent holders to consult the NOIP for its judgement in patent infringement and subsequently use the NOIP's conclusion as a strong evidence for requesting the competent State authorities to sanction patent infringement acts.

Civil procedures and remedies

The protected IP subject matters, including patent is regarded as a type of assets and therefore, IPRs over such subject matters are substantially be civil rights by nature. Civil procedures of protection of civil rights, which are regulated in Civil Procedures Code, are similarly applied as civil procedures and remedies for protection of IPRs.

Accordingly, patent holders or their local representatives can initiate a lawsuit with Civil Courts to protect their legitimate rights in disputes arising from IPRs. Patent holders can also bring a lawsuit against infringement acts and claim for indemnification of damages caused by such infringement.

In the process of settling patent disputes at Civil Courts, the Courts may ex officio or upon request of parties/their local representatives in patent disputes brought in front of Civil Courts, apply provisional measures to timely prevent infringed articles from being dispersed or destroyed by infringers or to preserve evidences relating to disputes.

The party who wishes to request Civil Courts to apply provisional measures must have to provide sufficient evidences supporting the request and depending on certain provisional measures requested the Courts to apply, the party must pay a deposit, the amount of which is determined by Civil Courts.

In accordance with the draft Law on Intellectual Property Rights, which is scheduled to be approved by the end of this year, provisional measures shall be applied independently as an independent proceedings, regardless of whether the concerned requester initiates a lawsuit with Courts.

In practice, there are quite a few of cases relating to patent disputes brought to the Civil Courts in recent years. This may partly be due to the lack of knowledge and experience in the field of intellectual property of judges.

At - Border measures

Recently, a long-awaited circular on the implementation of border measures relating to industrial property rights, the Interministerial Circular No. 129/2004/TTLT/BTC-BKHCN dated December 29, 2004 of Ministry of Finance and Ministry of Science and Technology providing guidelines on the implementation of border measures relating to industrial property rights applied on imported-exported articles, has been issued.

Accordingly, patent holders/their local IP representatives (in the case of foreign patent holders which are non-resident in Vietnam, they must be represented by a local IP representative) now can request competent Custom office to suspend in 10 days the release of imported-exported articles being alleged infringing patent among imported-exported articles.

Apart from the application form, patent holders/their local IP Representatives must pay a deposit amounting 20% of the value of the imported-exported articles being subject of the request, or at least 20 million dongs if the value of the imported-exported articles being subject of the request is not defined.

Criminal procedures

In case patent infringement constitutes a crime defined in Penal Code, infringer shall be sanctioned by imprisonment or monetary fines or both.

According to Article 126 on “offence of infringement of copyrights and patent rights”, those who infringe upon copyrights or patent rights of other persons shall be subjected

to a warning, monetary fine of up to VND5,000,000 or imprisonment of from three months to one year.

Counterfeit acts may be prosecuted under Article 167 “offence of production and trade in counterfeit goods”. The penalty ranges from one to seven years of imprisonment. In serious cases where counterfeit goods are goods, pharmaceuticals, or the volume of counterfeit goods are substantial, then the offender shall be subject to 20 years of imprisonment or even life imprisonment or death penalty.

Other articles concerning IPR infringements are Article 170 “offence of deceiving consumers” and Article 215 “offence of violating the regulations on publication”.

Other Sectors

Banking

- On September 01, 2005, the State Bank of Vietnam issued Circular 05/2005/TT-NHNN, guiding some points referring to banking activities according to Government’s Decree 187/2005/ND-CP, on conversion of State companies into joint stock companies.

Finance

- Circular 68/2005/TT-BTC, dated August 29, 2005, of the Ministry of Finance, guiding the allocation of value added tax and corporate income tax paid to the budget by the sub-contractors arising from the exploration, development of mine and exploit of oil and gas.
- The Ministry of Finance issued Circular 72/2005/TT-BTC, on September 01, 2005, guiding the Regulations on financial management of State companies, who are operating under the model of holding company.

Trading - Investment

- On August 15, 2005, the Ministry of Trade issued Decision 2212/2005/QD-BTM, promulgating the Regulation on doing business of construction steel.
- On August 16, 2005, the Ministry of Trade issued Circular 16/2005/TT-BTM, on supplementation to Circular 22/2000/TT-BTM, dated December 15, 2000, guiding the implementation of Decree 24/2000/ND-CP, dated July 31, 2000, with detailed regulation on the implementation of the Law on Foreign Investment in Vietnam, on accumulated depreciation of export fixed assets.
- Government’s Decree 110/2005/ND-CP, dated August 24, 2005, on the management of multi-level sale activities.
- The State Bank of Vietnam issued Circular 04/2005/TT-NHNN, on August 26, 2005, on amendment of and supplementation to Clause 6, Item III of Circular

01/2001/TT-NHNN, dated January 19, 2001, on foreign currency management toward foreign direct investment of Vietnamese enterprises.

Insurance

- On August 24, 2005, the Government issued Decree 109/2005/ND-CP, on amendment of and supplementation to a number of articles of Decree 89/1999/ND-CP, dated September 01, 1999, on deposit insurance.
- On the same day, the Ministry of Finance and the Ministry of Health issued Interministerial Circular 22/2005/TTLT-BYT-BTC, guiding the implementation of voluntary health insurance.

Labour

- Interministerial Circular 23/2005/TTLT-BLDTBXH-BTC, dated August 31, 2005, of the Ministry of Labor, War Invalids and Social Affairs and the Ministry of Finance, guiding the rate and salary grade of Members of the Board, General Director, Director, Vice General Director, Vice Director, Chief Accountant of State companies.

Construction

- Circular 15/2005/TT-BXD, dated August 19, 2005, of the Ministry of Construction, guiding the setting up, appraisal and approval of construction project.

Land

- On August 31, 2005, the Prime Minister issued with Decision 216/2005/QD-TTg the Regulations on land use right auction.

Transportation

- On September 05, 2005, the Ministry of Communications and Transport issued Circular 11/2005/TT-BGTVT, guiding the appraisal of transport safety.

Science – Technology

- Circular 10/2005/TT-BKHCHN, dated August 24, 2005, of the Ministry of Science and Technology, guiding the condition for establishment and operation of science and technology organization.
- On August 30, 2005, the Prime Minister issued Decision 214/2005/QD-TTg, on the approval of Project on the development of technology market.
- On September 05, 2005, the Government issued Decree 115/2005/ND-CP, regulating self-control, responsibility of public science and technology organization.

Customs

- On September 05, 2005, the Ministry of Finance issued Circular 73/2005/TT-BTC, guiding the implementation of a number of articles of Decree 79/2005/ND-CP, dated June 16, 2005, on the condition for registration and operation of customs agents.

Miscellaneous

- Circular 04/2005/TT-BKH, dated August 17, 2005, of the Ministry of Planning and Investment, guiding the order, procedure of setting up, re-structure, business registration and dissolution of state companies.
- Decision 207/2005/QD-TTg, dated August 18, 2005, of the Prime Minister, on the approval of Vietnam's development strategy for chemical industry to the year of 2010.
- Decision 210/2005/QD-TTg, dated August 25, 2005, of the Prime Minister, on the List of State top secret of the Ministry of Internal Affairs.
- Decision 1205/2005/QD-BCA(A11), dated September 01, 2005, of the Ministry of Public Security, on the List of State secret in the field of tourism.
- Government's Decree 111/2005/ND-CP, dated August 26, 2005, with detailed regulation and guiding the implementation of a number of articles of the Law on publishing.
- The Prime Minister issued Decision 221/2005/QD-TTg, dated September 09, 2005, on setting up the National Program on human resource development to 2020.
- The Government issued Decree 105/2005/ND-CP, on August 17, 2005, with detailed regulation and guiding the implementation of a number of articles of the Law on Power.
- Government's Decree 107/2005/ND-CP, dated August 17, 2005, on the organization and operation of fishery inspector.

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