

New Amendment to Vietnam's Intellectual Property Law

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Vietnam's Intellectual Property Law 2005 (**IP Law**) was officially amended for a third time on 16 June 2022 after the country's National Assembly so approved (**Amendment**). The Amendment will take effect from 1 January 2023¹. Several important points of the earlier drafts have been maintained, while some new changes have also been made to reflect practical issues that have arisen over the last nearly two years. Below is the key content of the Amendment in comparison with the law currently in effect.

1. Copyright

- *Copyright transfer*: In the Amendment, the regulations relating to the identification of property right holders (owners, authors, co-authors, performers) have been elaborated upon substantially, which is expected to facilitate the processes of transferring or licensing copyrights and related rights. In this regard, the most noteworthy aspect of the Amendment is the provisions allowing more flexible use of certain moral rights by agreement. In particular, an author may license his right to name his works to the party acquiring the relevant property [economic] rights. The author and the copyright holder of a computer program have the right to agree in writing with each other on its repair and upgrade. This will help to solve problems that have been existing in practice for a long time, especially in the software development sector.

- *Royalty definition and royalty allocation*: The National Assembly gave approval to have the definition of "royalty" in the Amendment replace other terms describing the money paid for the lease or purchase of ownership, exploitation, and use rights of copyrighted works. Long used in regulations on taxation, technology transfer, etc., such approval comes as no surprise.

In addition to the above, basic principles for the determination and allocation of royalty among co-authors, co-owners, and organizations collectively representing copyrights and related rights (i.e., Collective Management Organization²) are newly regulated as set forth in Article 44a, Article 56.3.d,dd,e, and Article 56.5 of the amended IP Law. The general principle for royalty determination and allocation is that such matters are based on the agreement of the parties.³ However, if the Collective Management Organization cannot locate the authors, owners to pay the royalty within 5 years, and the State authority cannot locate the authors (or owners) within an additional 5 years, the allocated part of the royalty will be used for promotion and creative activities of the State for the protection of copyrights and related rights.

- *Definition of authors and co-authors*: The Amendment supplements the definition to clarify the meaning of authors and co-authors as set forth in Article 12a of the amended IP Law. Authors and co-authors must directly create the works, and those who only support, give comments, or provide documents for others' creation are not "authors" under the amended IP Law. In principle, the exercise of all moral rights and asset rights in the works must be agreed upon by all co-authors, except where the works can be divided without harming other co-authors or as provided by laws.

- *Exhaustion of distribution rights*: The Amendment officially adopts the mechanism of exhaustion of distribution rights. Under Article 20.3.b of the amended IP Law, after the first distribution of the original/copy versions of works, the author will no longer have the right to prohibit others to distribute the work subsequently, i.e. the author's right of distribution will be exhausted. This mechanism is essential to clarify that parallel import may not constitute copyright infringement when the author's right of distribution has been exhausted. The mechanism set forth in the Amendment follows the mechanism of international exhaustion, as verbally mentioned by the drafting committee in the past⁴. The incorporation of such mechanism into the Amendment may further align

¹ Regulations on the protection of sound signs as trademarks took effect retroactively from January 14, 2022. The regulations on the protection of test data for agricultural chemical products will take effect from January 14, 2024.

² Collective Management Organization is a voluntary², self-financed, non-profit organization for authors, owners of copyrights and related rights under the management of the Ministry of Culture, Sports and Tourism (IP Law, Art. 56)

³ The collection and allocation relating to foreign organizations must also comply with regulations on foreign exchange.

⁴ Draft Report to the Government on drafting IP Law Amendments of Ministry of Science and Technology dated 17 November 2020

Vietnam's IP laws with international laws and practice.

- *Assumptions about copyright and related rights*: Supplementing Article 198 of the IP Law on self-protection right, the Amendment introduces Article 198(b) regarding the assumptions about copyrights and related rights. Accordingly, in civil, administrative, and criminal proceedings with respect to copyright and related rights, if there is no evidence to the contrary, copyright and related rights are assumed as follows: The individuals and organizations named in the usual way (i.e., the name of the individual/organization is mentioned in the original or copy that is legally published in the case where the original no longer exists) are authors, performers, producers of phonograms and video recordings, broadcasting organizations, producers of cinematographic works, and publishers is considered to be the holder to such work, performance, phonogram, video recording or broadcast. Such persons shall be eligible to corresponding copyright or related rights. This provision is a big step forward regarding the Amendment, which may help to eliminate the common practice that an author needs to have copyrights registered with the Vietnam Copyrights Office in order to prove his/her authorship in the case of dispute settlement conducted by the court.

2. Patent

- *Security check of inventions before overseas filing*: the National Assembly has approved to update security checks of inventions before overseas filing by narrowing the scope of such checks with respect to the decree level (Decree 122/2010/ND-CP) to the legal level (IP Law). The scope of inventions subject to such checks is written as "inventions of technical fields having impact on national defense, security, created in Vietnam and subject to the registration rights of Vietnamese citizens permanently residing in Vietnam or organizations established in Vietnam". Further conditions for such checks will be guided by the Government.

- *Compensation for delays in issuing licensing for the trade of pharmaceuticals*: This provision has been added in Article 131a of the amended IP Law. Accordingly, in undertaking the procedure to maintain the patent validity, the patent owner is not obliged to pay the patent use fee⁵ for the period in which the first registration for trading the pharmaceutical products manufactured under such patent in Vietnam is delayed. The delayed period is calculated from the date ending 2 years from the receipt of adequate application by the authority in charge of trading registration (i.e., the Drug Administration of Vietnam under the Ministry of Health) deducting any delay resulting from the fault of the applicant or circumstance out of the authorities' control. To be eligible for compensation, the patent owner must submit to the IP authority the confirmation of the authority in charge of trading registration with respect to such delay. Further guidance will also be drafted by the Government.

3. Trademark

- *Introduction of sound marks*: Vietnam has officially recognized that sound marks may be trademarked. The sound marks recognized by the Amendment must be "*audio sign shown in graphic form*" (Article 72.1 of amended IP Law). This is a step closer toward international standards of IP protection as required by international treaties. Especially, in its access to CPTPP, Vietnam has committed to recognizing and protecting sound marks in the local laws within 3 years from the effective date of CPTPP (i.e., January 14, 2019).⁶ Thus, the provisions of the Amendment with respect to sound marks retroactively took effect from January 14, 2022.

- *Well-known mark definition*: under the Amendment, a trademark is determined to be well-known if it is "*extensively known by relevant consumers in the territory of Vietnam*" (amendment to Article 4.20 of IP Law), instead of all consumers in general, as stipulated in the current effective version. Thus, the Amendment helps to narrow down the scope of consumers for considering what a well-known mark is.

- *Distinctiveness of trademarks*: the Amendment makes several changes regarding the elements of distinctiveness of marks under Article 74 of IP Law. Especially, the marks that are identical, or those confusingly similar, to those that are protected will be deemed as having no distinctiveness, and, as result, will be denied protection.

4. Industrial Design

- *Partial design protection*: according to the amended Article 4.13 of IP Law, the definition of industrial design subject to protection under Vietnam laws includes complete products and components used to assemble complete products. This provision is incorporated in the Amendment to reflect the commitments of Vietnam to EVFTA and CPTPP⁷. In fact, however, partial design protection has already been recognized and applied in Vietnam.

⁵ In accordance with Circular 263/2016/TT-BTC, the patent use fee is a part of the fees payable to the State Budget to maintain the validity of a patent.

⁶ CPTPP, Chapter 18 Intellectual Property, Art. 18.83.4(f)(iv).

⁷ EVFTA, Chapter 12 (Intellectual Property), Art. 12.35.

Article 33.2.b, Circular No. 01/2007/TT-BKHCN dated February 14, 2007 (Circular 01) guiding the implementation of Decree No. 103/2006/ND-CP dated September 22, 2006 detailing a number of articles of the IP Law stipulates that: “*Product is understood as an object, tool, device, vehicle, or part used to assemble or combine such products, manufactured by industrial or artisanal methods, with a structure and clear function, independent circulation*”. Thus, parts used for assembly or composition of products have already been protected in Vietnam as industrial designs as long as such parts can be circulated independently. The definition of industrial design of the Amendment and the current practice under Circular 01 may imply that the Amendment aims at protecting separable components as industrial designs but not the inseparable components.

5. Cancellation and opposition

The National Assembly has approved another modern approach in relation to practices adopted by the international community by canceling the validity of the mark protection certificate on the grounds of “bad faith” (Article 96.1.(a) of the amended IP Law). However, since the draft version dated November 2020 was released until now, the National Assembly has remained silent on the approach to determine what constitutes “bad faith”. Hopefully, such approach will be guided by the Ministry of Science and Technology, as stated in Article 96.7 of the amended IP Law.

The Amendment stipulates the time limits for any third party to object to an application for the issuance of an industrial ownership certificate. Such time limits are as follows:

	Innovation	Industrial design	Trademark	Geographical indication
Time limits for objection (from the date of publication of the application)	9 months	4 months	5 months	3 months

The current effective law allows a third party to give opinions in regard to an application from the date of publication of the application until the date of issuance of the protection certificate. Consequently, a third party may file its objection at any time during the period of the substantive examination of the application, which unfortunately, is actually much longer than the regulatory timeframe (e.g., the regulatory timeframe for the substantive examination of a trademark application is 9 months but it often takes more than 12 months in practice). In accordance with the Amendment, the third party still has the same right to proffer its opinions until the date of issuance of the protection certificate, but such opinions will only be treated as reference materials. Any objection must be made officially and is subject to fee payment prior to it being considered. The intended limitation of the objection period would reduce the workload of the National Office of Intellectual Properties and render the applicants for IPR registration in a better and more stable situation.

6. Supplementation to the customs’ power

Under Article 216 of the current IP Law, the customs may, at the request of the IPR holders, decide to apply a prevention measure or provisional urgent measure in case of IP infringement. The Amendment gives the customs an additional right to actively suspend custom procedures if during the implementation of inspection, supervision and control, the customs discover clear grounds to suspect that exported and imported goods are counterfeit goods from the viewpoint of intellectual property. Thus, upon the effective date of the Amendment, the customs may consider suspending the custom procedures of importation or exportation without waiting for the request from the IPR holders.

7. IP representative

To date, in Vietnam, IP services have always been a special sector, with the number of IP representatives limited to around 300 persons, because it is very difficult to pass the IP examinations. This number is much less than the number of lawyers who have knowledge regarding the IP sector. In order to mobilize the knowledge of such lawyers, the Amendment has been opening the door for them to expand their practice areas to include the IP sector. Accordingly, a Vietnamese lawyer who is licensed to practice under the Law on Lawyers and permanently

CPTPP, Chapter 18 Intellectual Property, Art. 18.55.1.

residing in Vietnam may act as an IP representative in the field of trademarks, geographical indications, trade names, anti-unfair competition, and business secrets, provided that such lawyer has passed the IP training courses. A point to note is that foreign lawyers and foreign law firms that are licensed to operate in Vietnam are still restricted from practising in the IP sector.

8. Liability for copyright and related rights for intermediary service providers

This is the first time that IP matters relating to telecommunications and the Internet have been incorporated in the amended IP Law. According to the Amendment, an enterprise providing intermediary services is exempt from liability for acts that infringe on copyright and related rights in the telecommunications network environment and the Internet relating to their services in the following cases:

- (i) When its activities are limited to transmission of digital information content or provision of access to digital information content;
- (ii) When it automatically and temporarily conducts its buffer storage function during the course of its transmission of information, which satisfies the following conditions: information is transmitted merely for technological reasons; the conditions of access to and use of digital information content are complied with; specified rules for updating digital information content in a manner that is widely recognized and used by the industry are complied with; the lawful use of technology that is widely recognized in the industry to obtain data on the use of digital information content is not prevented; digital information content is not removed and access to digital information content upon knowing that such digital information content has been removed or cancelled access at the origin source is not denied;
- (iii) When it stores digital information content of service users at the request of service users without knowing that such digital information content infringes on copyright and related rights, and takes prompt action to remove or prevent access to copyrights infringing on digital information content; and
- (iv) In other cases as prescribed by the Government.

The enterprise is not required to self-monitor its services or actively seek evidence indicating infringements.

Conclusion

All efforts of Vietnam to adopt international practices in IP Law in the Amendment are laudable when the shift to creative innovation ("*đổi mới sáng tạo*" in Vietnamese) has become a trend that has permeated the Vietnamese market for a few years. Although some regulations are still vague, it is fair to say that we can expect a growing protection of IPRs in accordance with the Amendment. We will keep track of future guidance and update the news.

End

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