

Amendments to the law on Intellectual Property in the light of the CPTPP

On 12 November 2018, 14th Legislature of the National Assembly of Vietnam approved Resolution No. 72/2018/QH4, ratifying the Comprehensive and Progressive Agreement for Trans – Pacific Partnership (“CPTPP”) and relevant documents at its 6th Session. As stated in Document No.LGL/CPTPPD/2018-15 dated 26 November 2108 of the Ministry of Foreign Affairs of New Zealand, the CPTPP became effective with respect to Vietnam as from 14 January 2019.

Following the ratification of the CPTPP, various Vietnam’s legal instruments need to be amended in order to become harmonised and compliant with the provisions and member country’s obligations contained in the CPTPP. The current Law on Intellectual Property of 2005, as amended in 2009 (“IP Law”) is not an exception, despite the fact that Clause 3 of Article 5 of the IP Law already provides that *“Where the provisions of the international treaties to which Vietnam is party contravene the provisions of this Law, the former shall prevail”*. Similar wordings on application of international treaties can be found in other Vietnamese laws, as the express recognition of a principle, but further amendment and legislation are actually necessary for the purpose of implementing such principle because Vietnamese government agencies may refuse to enforce a provision of an international treaty if such treaty is contrary to Vietnam’s current Constitution 2013 based on a reserved right given by Article 3 of this Constitution. As a dualist state, international treaty obligations generally do not have domestic effect in Vietnam unless embedded into the domestic laws. Such obligations are included into the domestic laws through the use of domestic

legal instruments (e.g., passing a Law of the National Assembly or through subsidiary legislation under a power conferred by such law).

As required by the CPTPP itself, the assigned authorities therefore prepare the relevant draft legal documents providing guidelines for implementation of such newly-ratified international agreement and submit their drafts to the National Assembly of Vietnam to adopt any necessary amendment at its latest session (i.e. at its 7th session in May-June 2019).

Below are some notable amendments to the IP Law relating to different IP subject matters, which are provided for by Law No. 42/2019/QH14 on amendments to some articles of Law on Insurance Business and Law on Intellectual Property, which has been adopted by the National Assembly on 14 June 2019 (“**2019 Law amending the IP Law**”) and shall come into effect on 1 November 2019, except for certain provisions, which took effect as from 14 January 2019.

Trademark

The current IP Law stipulates in Clause 2 of Article 148 that *“a contract for use of an industrial property object shall be effective as agreed by the parties, but only towards a third party upon registration with the state administration authority of industrial property rights”*. This means that, in practice, the use by the licensee of an IP subject in an unregistered contract may be ignored by the relevant authorities for subsequent transactions such as royalty payment, remittance of royalty overseas or termination of trademark for non-use during five consecutive years.

Clause 27 of Article 18 of the CPTPP now appears to remove this problem, by expressly providing that no member country can require recordal of a trademark licence in order to establish the validity of such licence. For other objects of

industrial property, such as patented inventions or industrial designs, the respective provisions of Clause 2 of Article 148 of the current IP Law remain unchanged.

To comply with Clause 27 of Article 18 of CPTPP, two Articles of the IP Law, namely Articles 136 and 148, are amended as follows:

- Clause 2 of Article 136 is amended to be:

“2. The owner of a trademark shall be obliged to use it continuously. The use by a licensee according to a trademark licence agreement is deemed to constitute the use by the holder. In case the trademark has not been used for a continuous period of 5 years or more, the validity of the trademark registration certificate shall be terminated in accordance with Article 95 of this Law”.

- Clauses 2 and 3 of Article 148 are also amended as follows:

“2. For the industrial property rights established on the basis of the registration as provided in Article 6.3.(a) of this Law, a contract for use of an industrial property object shall be effective as agreed by the parties.”

“3. A contract for use of an industrial property object provided for in Clause 2 of this Article shall only be effective towards a third party upon registration with the state administration authority of industrial property rights, except for trademark licence agreement.”

Inventions

The current IP Law stipulates in Clause 3 of Article 60 a grace period of 6 months to preserve the novelty of an invention against its disclosure by the applicant in certain circumstances (such as disclosure in the form of a scientific presentation or at a national exhibition of Vietnam or at an

official or officially recognised international exhibition), or its disclosure by a third party without permission of the applicant. Accordingly, all the above disclosed information shall not be taken into consideration when examining the novelty of an invention to be patented.

However, Clause 38 of Article 18 of the CPTPP requires the grace period to be extended to 12 months (instead of 6 months) for disclosure by the applicant or by a third party having obtained the information directly or indirectly from the applicant, in examining both novelty and inventive step of the invention to be patented.

To comply with the above requirement under the CPTPP, Clause 3 of Article 60 of the current IP Law (the provision on determination of novelty) is amended as follows:

*"3. An invention shall not be considered lacking novelty if it was publicly disclosed by the person entitled to register it as provided in Article 86 of this Law (**the Applicant**), or by a person having obtained information about the invention directly or indirectly from the Applicant, provided that the invention registration application is filed within 12 months from the date of disclosure".*

A new Clause 4 is added to Article 60 as follows:

"4. Provisions in Clause 3 of this Article shall also apply to any invention disclosed in applications for registration of intellectual property rights or intellectual property patents which have been published by the authority in charge of intellectual property in the case where such publication is non-compliant with the provisions of laws or the application was filed by a person who has no right to apply for registration."

To fully comply with Clause 38 of Article 18 of the CPTPP, Article 61 of the current IP Law (determining the level of inventive step of the invention) is also amended through

differentiating inventions from technical solutions in the addition of a new Clause 2, which defines:

“2. Technical solution, which is an invention disclosed in accordance with Clauses 3 and 4 of Article 60 of this Law, must not be used as a basis for evaluating the level of inventive step of that invention.”.

Geographical Indications (“GI”)

Clause 32 of Article 18 of the CPTPP provides the grounds for opposition/ cancellation of GI based on: (i) likelihood of its confusion with a registered/protected trademark or with a trademark in a pending application; (ii) when the name of the GI is a term customarily used in common language to identify the related goods.

Clause 33 of this Article of the CPTPP imposes a member country’s obligation with respect to the procedures in determining whether a term is the term customary in common language as the common name for the relevant good in the territory of that member country, its competent authorities shall take into account how consumers understand the term in the territory of that member country. Factors relevant to such consumer’s knowledge may include: (i) whether the term is used to refer to the type of good in question, as indicated by competent sources such as dictionaries, newspapers and relevant websites; and (ii) how the goods referenced by the term are marketed and used in trade in the territory of that member country.

And Clause 36 of the same Article 18 of the CPTPP provides for recognition and protection of GI according to international agreements.

Thus, two Articles of the IP Law are amended in order to comply with the requirements of the CPTPP with respect to GI:

- In Article 80, listing the objects that are ineligible

for protection as geographical indications, Clauses 1 and 3 are amended as follows:

- Clause 1 of Article 80 is amended to be:

“1. Designations, indications have become common names of goods widely accepted by the relevant consumers in Vietnam.”.

- Clause 3 of Article 80 is amended to be:

“3. GI identical or similar to a trademark having been protected or whose trademark application is filed earlier or whose priority date is earlier, if the use of such GI will likely cause confusion as to the commercial origin of the goods.”.

- A new Article 120a is also added, as follows:

“120a. International proposal and processing of international proposal on geographical indications

- 1. Proposal for recognition and protection of geographical indications in accordance with the international agreement to which the Socialist Republic of Vietnam is negotiating, is called international proposal.*
- 2. The announcement of international proposals and handling of third-party opinions, and assessment of conditions for protection of geographical indications in international proposals shall comply with the respective provisions in this Law for geographical indications in applications for registration of geographical indication submitted to the authority of industrial property rights.”.*

Online Filing

According to Clause 24 of Article 18 of the CPTPP on the “Electronic Trademarks System”, each member country must provide: (i) a system for electronic application for registration of, and maintenance of, trademarks; and (ii) a publicly available electronic information system, including an

online database, of trademark applications and of registered trademarks.

Although the CPTPP requires an electronic system for trademarks only, a new Clause 3 is added to Article 89 of the current IP Law to include applications for establishment of all kinds of industrial property rights, as follows:

“3. Applications for establishment of industrial property rights may be filed in paper form or in electronic form for online filing.”.

Enforcement

In accordance with the requirements in Sub-clause 15, Clause 74 of Article 18 of the CPTPP on measures against abuse of enforcement proceedings with regard to intellectual property rights, including trademarks, geographical indications, patents, copyright and related rights and industrial designs so that a party may receive or is prohibited to receive wrongfully an adequate compensation for the injury suffered from; Article 198 of the IP Law is supplemented with the two new following Clauses:

“4. If the court concludes that there is no infringement of intellectual property, the defendant, being an organisation or individual, is entitled to request the court to order the plaintiff to reimburse for their reasonable expenses such as attorney’s fees or other expenses in accordance with the laws.

5. An organisation or individual suffering from damages caused by another organisation or individual abusing the enforcement procedure with regard to intellectual property rights shall have the right to request the court to order the abuser to compensate for the damages caused by the abuse, which may include reasonable attorney’s fees. Acts of abusing the enforcement procedure with regard to intellectual property rights include those of intentionally exceeding the scope or

objective of this procedure.”

For enforcement of IP rights, Clause 1 of Article 205 of the current IP Law is also amended by adding a new item (c), which now allows to consider also *“c) material damages alternatively calculated by the intellectual property rights holder in accordance with provisions of the laws.”* as a factor for determining the amount of damages caused by an infringement of intellectual property rights (for compliance with Sub-clause 4, Clause 74 of Article 18 of the CPTPP, in general form).

Customs Measures

Sub-clause 4, Clause 76 of Article 18 of the CPTPP requires the relevant authority of a member country to provide, at least with respect to imported goods, certain information of the goods to the intellectual property right holder, normally within 30 working days as from the date of the seizure or determination that the goods are counterfeit trademark goods or pirated copyright goods.

To comply with the above requirement, Clause 1 of Article 218 of the IP Law is amended by a new sentence added at the end of this Clause as follows:

“1. When a person who requests for suspension of customs clearance has properly performed his or her obligations provided for in Article 217 of this Law, the customs office shall make a decision on suspension of customs clearance with regard to the relevant lots of goods. Within a period of 30 days from the date of the decision on application of administrative measures to handle trademark counterfeiting and counterfeits specified in Clause 4, Article 216 of this Law, the customs office shall provide the intellectual property rights holder with information on the names and addresses of the consignor, exporter, consignee or importer; a description of the goods; the quantity of the goods; and, if known, the country of origin of the goods.”

Despite this change, the period of 30 days for the customs office to provide the intellectual property rights (“**IPRs**”) holder with certain information seems still too long as compared with the time-limit of only 10 working days (or maximum 20 working days in case of extension) prescribed in Clause 2 of Article 218, within which the IPRs holder must initiate legal proceedings against suspected infringers. The IPRs holder needs within the time limit of 10 working days (not 30 days) the information from the customs office in order to decide whether to initiate legal proceedings or not.

The 2019 Law amending the IP Law also includes transitional provisions which take into account the effectiveness of the CPTPP in Vietnam as from 14 January 2019, namely:

- The applications for registration of inventions/geographic indications filed prior to 14 January 2019 shall be processed according to the provisions of the current IP Law;
- The trademark licence agreements executed by the parties but not registered with the State authority in charge of industrial property prior to 14 January 2019 shall be effective with respect to a third party only as from 14 January 2019; and
- Lawsuits against infringements of IPRs that have been accepted by competent authorities prior to 14 January 2019 but have not been settled yet, shall continue to apply the provisions of the current IP Law.

In addition to the above-mentioned amendments, further amendments to the current IP Law may be required in order to implement other obligations of a member country according to the CPTPP (such as with respect to the Protection of Sound Marks, Protection of Undisclosed Test Data or Other Data for Agricultural Chemical Products, Protection of Undisclosed Test or Other Data, among others), which will become effective within 3 to 10 years from the ratification of the CPTPP.

Moreover, for full compliance with the CPTPP, Vietnam will also need to ratify the Budapest Treaty on the International Recognition of the Deposit of Microorganisms for the Purposes of Patent Procedure; the WIPO Copyright Treaty (WCT) and the WIPO Performances and Phonograms Treaty (WPPT).

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