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LAW ON INTELLECTUAL PRORERTY

Compulsory licensing of patents – a need or not?

By Nguyen Nguyet Dzung

Compulsory licensing happens when a competent authority allows someone else to produce the patented product or exploit a patented process without the permission of the patent holder. A compulsory license can be construed as an involuntary contract between a willing licensee and an unwilling licensor imposed and enforced by the competent authority.

Why do governments need to grant involuntary licenses to use certain patent rights?

The Paris Convention, one of the first international intellectual property treaties for the Protection of Industrial Property, states that each country-member shall have the right to take legislative measures providing for the grant of compulsory licenses to prevent abuses, which might result from the exercise of the exclusive rights conferred by the patent, for example, failure to work. In other words, it serves as an essential and effective government instrument to intervene in the market and limit patent rights in order to correct market failures. However, a compulsory license may not be applied for on the ground of failure to work or insufficient working before the expiration of a period of four years from the date of filing of the patent application or three years from the date of the grant of the patent, whichever period expires last. Compulsory licensing shall be refused if the patentee justifies his inaction by legitimate reasons. Such a compulsory license shall be non-exclusive and shall not be transferable, even in the form of the grant of a sub-license, except with that part of the enterprise or goodwill, which exploits such license.

On the same vein, the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement) also sets out specific provisions that shall be followed if a compulsory license is issued, and the requirements of such licenses. According to the TRIPS Agreement, (i) the person or company applying for a licence usually has to have tried to negotiate a compulsory licence with the patent holder on reasonable commercial terms. A compulsory licence can be issued only if they failed to negotiate, and (ii) even when a compulsory license has been issued, the patent holder has to receive certain remuneration. That is to say, the principal requirement for the issue of a compulsory license is that attempts to obtain a license under reasonable commercial terms must have failed over a reasonable period of time.

It can be seen from the above that governments issue compulsory licenses to broaden access to technologies and information in order to meet a number of public and national demands. For example, a compulsory license may be granted in situations in which there is a failure to work patented invention over an extended period in the territory of the patent, failure or inability of a patentee to meet a demand for a patented product and where the refusal to grant a license leads to the inability to exploit an important technological advance, or to exploit a dependent patent. Many countries have provisions in laws for compulsory licensing if the patent holder

refuses to make the invention available to the public for various public interest reasons, such as, for example, to correct cases where pharmaceuticals are available to the public in insufficient quantity or at abnormally high prices.

Compulsory licensing in Vietnam

The Intellectual Property Law ("IP Law") of Vietnam has elaborate provisions for compulsory licensing (Articles 145, 146 and 147). Apart from three general categories, under which compulsory licenses shall be invoked, namely (i) for dependent inventions (Article 146.2), (ii) for reasons of public interests (Article 145.1(a)), and (iii) for the failure to work the invention (Article 145.1(b)), the Law also provide another ground for such grant in case the third party fails to negotiate a license on reasonable terms and conditions (Article 145. 1(c)). Few uncertainties are exemplified below.

Working requirements

The Paris Convention has been known to place non-working restrictions on the patentees of member countries. However, as a matter of practical experience, only about ten percent of granted patents are ever actually worked. The majority has been allowed to lapse, but even those patents that have been maintained and not worked have rarely been subject to compulsory license. The reasons are pretty clear since if an invention is not worth for the patentee to exploit, it is not likely to be so for others. Also, if a commercially good invention is being maintained unworked for defensive reasons, it would be undesirable for a competitive party to negotiate an involuntary license agreement with a hostile owner. The negotiation itself may cost more time and money than the invention would worth. Therefore, in most developed countries, working requirements for invention are either non-existent or a dead letter.

In Vietnam, though the failure to work constitutes a ground for compulsory license, it is silent on what shall constitute actual non-working that will invoke the grant. Neither does it specifically address the question whether nominal working is attributable to legitimate working acts. Article 124.1 of the IP Law addresses different acts defined as "using the invention" including the importation, advertisement and marketing of the patented product or products of the patented process. It is unclear whether the working shall be regarded as "use of the patented technology domestically". Shall the patentee's importation of a patented product into Vietnam be treated as working in order to keep his/her patent from being provoked for a compulsory license for non-working? Also, shall the nominal working that consists in advertising that licenses are available under the patent be recognized as satisfactory proof?

Efforts to negotiation and Article 31(b) of the TRIPS Agreement

There are two questions in need of further clarification. First, the IP Law of Vietnam reflects no essence of Article 31(b) of the TRIPS Agreement in the sense that it fails, in case of the patentee's failure to work his/her invention, to require the proposed user to negotiate with the patentee on reasonable commercial terms and conditions within reasonable period of time. It is fair to ask a person seeking the compulsory

license to substantiate that unsuccessful attempts to obtain a voluntary license from the patentee were made before filing any petition for a compulsory license.

Second, Article 145.1(c) of the IP Law shall be construed as that the third party may initiate the negotiation to obtain a license from a patentee at *any time* during its term and unsuccessful negotiations on reasonable terms within a reasonable period of time may provoke the grant of an involuntary license. It has no attempt to discuss the necessary breathing space in which the patentee can make preparations to work his/her invention. It is not fair and unthinkable for a person, who has somehow well-known about a commercially worthwhile invention, jumps into negotiation for a license right after the patent is granted, giving the patentee no time at all for actually putting his/her own invention into practice. Such potential unfair provisions must be revised in order to make the Vietnam IP Law fully comply with the Paris Convention and TRIPS Agreement./.

Other Sectors

Finance

- Decision No. 1781/QD-BTC dated July 26th, 2011 of the Ministry of Finance announcing the administrative procedures under scope of the Ministry of Finance's State management function.
- On July 4th, 2011, the Ministry of Finance issued Decision No. 1574/QD-BTC announcing the administrative procedures under scope of the State management function of the Ministry of Finance.
- Circular No. 107/2011/TT-BTC dated July 20th, 2011 of the Minister of Finance amending Point (c), Clause 2, Article 1 of Circular No. 40/2011/TT-BTC dated March 22nd, 2011 of the Minister of Finance amending and supplementing a number of articles of Circular No. 108/2007/TT-BTC dated September 7th, 2007 of the Ministry of Finance providing guidelines for the financial management mechanism applicable to official development assistance (ODA) programs and projects.
- On July 11th, 2011, the Ministry of Finance stipulated Circular No. 103/2011/TT-BTC amending and supplementing Item 75, Section II, Appendix III accompanying Circular No. 184/2010/TT-BTC dated November 15th, 2010 of the Ministry of Finance.
- Circular No. 99/2011/TT-BTC dated July 7th, 2011 of the Ministry of Finance providing guidelines for the financial management with respect to the pilot implementation of export credit insurance.
- On July 5th, 2011, the Ministry of Finance issued Circular No. 97/2011/TT-BTC amending and supplementing Circular No. 66/2011/TT-BTC dated March 30th, 2009 of the Ministry of Finance providing for the regime on collection, submission, management and use of charges for grant of passports, visas and papers on entry, exit, transit and residence in Vietnam.

Taxation

- Decree No. 53/2011/ND-CP dated July 1st, 2011 detailing and providing guidelines for the implementation of a number of articles of Law on Non-Agricultural Land Use Tax.
- On July 28th, 2011, the Ministry of Finance stipulated Circular No. 108/2011/TT-BTC amending and supplementing regulations on preferential export and import taxes with respect to a number of items in the Preferential Export and Import Tariff.

- Circular No. 105/2011/TT-BTC dated July 12th, 2011 of the Ministry of Finance amending and supplementing a number of articles of Circular No. 63/2011/TT-BTC dated May 13th, 2011 of the Ministry of Finance providing for the pilot application of priority regime in the field of State management on customs with respect to qualified enterprises.
- On July 12th, 2011, the Ministry of Finance issued Circular No. 104/2011/TT-BTC amending and supplementing Circular No. 11/2010/TT-BTC dated January 19th, 2010 of the Ministry of Finance providing guidelines for the implementation of the tax obligation with respect to Vietnamese investors investing abroad.
- Circular No. 102/2011/TT-BTC dated July 11th, 2011 of the Ministry of Finance amending preferential import tax rate applicable to item of cashew (cashew nut) under code 0801.31.00.00 in the Preferential Import Tariff.
- On July 4th, 2011, the Ministry of Finance stipulated Circular No. 95/2011/TT-BTC amending export tax rate applicable to steel scraps and wastes under group 7204 in the Export Tariff.

Trade

- Decree No. 63/2011/ND-CP dated July 28th, 2011 detailing and providing guidelines for the implementation of a number of articles of Law on Commercial Arbitration.
- On July 29th, 2011, the People's Committee of Ho Chi Minh City issued Decision No. 53/2011/QD-UBND issuing the Regulation on organization and operation of the Centre for Trade and Investment Promotion in Ho Chi Minh City.
- Circular No. 28/2011/TT-BCT dated July 21st, 2011 of the Ministry of Industry and Trade providing guidelines for the management of petrol and oil trading in border areas.

Labour

- On July 7th, 2011, the Government stipulated Decree No. 57/2011/ND-CP on civil service allowances.
- Decision No. 1241/QD-TTg dated July 22nd, 2011 of the Prime Minister approving the national program on gender equality for the period from 2011 to 2015.
- On July 22nd, 2011, the Prime Minister issued Decision No. 1216/QD-TTg approving the planning on Vietnam's human resource development for the period from 2011 to 2020.
- Circular No. 20/2011/TT-BLDTBXH dated July 29th, 2011 of the Ministry of Labour, War Invalids and Social Affairs promulgating the "National technical

regulations on occupational safety with respect to electric welding machines and the electric welding work".

Education

- On July 4th, 2011, the Government stipulated Decree No. 54/2011/ND-CP on seniority allowance for teachers.
- Circular No. 28/2011/TT-BGDDT dated July 15th, 2011 of the Ministry of Education and Training amending and supplementing a number of articles of the Regulation on organization and operation of private pre-schools accompanying Decision No. 41/2008/QD-BGDDT dated July 25th, 2008 of the Minister of Education and Training.

Health

- On July 4th, 2011, the Government issued Decree No. 56/2011/ND-CP providing for the vocational preferential allowance regime for public officials and servants working in public health establishments.
- Decision No. 1256/QD-TTg dated July 26th, 2011 of the Prime Minister approving the project on strengthening capacity of Food Hygiene and Safety Offices at provincial level until 2015.

Transport

- On July 8th, 2011, the Ministry of Transport stipulated Decision No. 1509/QD-BGTVT approving the development strategy of Vietnamese rural transport until 2020, with orientation to 2030.
- Circular No. 48/2011/TT-BGTVT dated July 20th, 2011 of the Ministry of Transport amending and supplementing the economic and technical norms for the inland waterways management and maintenance accompanying Decision No.39/2004/QD-BGTVT dated December 31st, 2004 of the Minister of Transport.

Construction - Land

- On July 29th, 2011, the Prime Minister issued Decision No. 1287/QD-TTg approving the detailed planning of 4th peripheral road - Region of Hanoi capital, the South section of National Highway 18.
- Decision No. 52/52011/QD-UBND dated July 29th, 2011 of the People's Committee of Ho Chi Minh City announcing the economic - technical norms for use of uPVC piles and walls in construction of dykes, embankments against erosion, flood tide, flooding combined with rural traffic in the area of Ho Chi Minh City.

- On July 26th, 2011, the Prime Minister stipulated Decision No. 1259/QD-TTg approving the general planning on construction of the Hanoi capital until 2030, with orientation to 2050.
- Decision No. 51/2011/QD-UBND dated July 12th, 2011 of the People's Committee of Ho Chi Minh City promulgating the Regulation on organization and operation of Ho Chi Minh City's Compensation Evaluation Council.
- On July 12th, 2011, the People's Committee of Ho Chi Minh City issued Decision No. 50/2011/QD-UBND on the formulation, appraisal and approval of urban planning in the area of Ho Chi Minh City.
- Decision No. 49/2011/QD-UBND dated July 12th, 2011 of the People's Committee of Ho Chi Minh City promulgating the Regulation on public announcement and provision of information about urban planning in Ho Chi Minh City.
- On July 12th, 2011, the People's Committee of Ho Chi Minh City stipulated Decision No. 48/2011/QD-UBND on the grant of planning licenses in Ho Chi Minh City.
- Decision No. 44/2011/QD-UBND dated July 11th, 2011 of People's Committee of Ho Chi Minh City promulgating the estimated unit prices for formulation of and adjustment in land use planning and plans at all levels in the area of Ho Chi Minh City.
- On July 7th, 2011, the People's Committee of Hanoi issued Decision No.21/2011/QD-UBND amending Article 11 of the Regulation on management and construction of underground works of urban infrastructures as well as renovation and rearrangement of above ground lines and cables in the area of Hanoi, accompanying Decision No. 56/2009/QD-UBND dated March 27th, 2009 of the People's Committees of Hanoi.
- Decision No. 1081/QD-TTg dated July 6th, 2011 of the Prime Minister approving the master planning on economic - social development of Hanoi until 2020, with orientation to 2030.
- On July 5th, 2011, the People's Committee of Hanoi stipulated Decision No.20/2011/QD-UBND promulgating the Regulation on transfer, receive and manage the housing, apartments and other auxiliary construction work items of the apartment buildings to serve the resettlement in the area of Hanoi.
- Circular No. 106/2011/TT-BTC dated July 14th, 2011 of the Ministry of Finance providing guidelines for the management and use of expenditures for managing the implementation of accommodation supporting policy in favour of the poor households according to Decision No. 67/2010/QD-TTg dated September 29th, 2010 amending and supplementing a number of articles of Decision

No.167/2008/QD-TTg of the Prime Minister on accommodation supporting policy in favour the poor households.

- On June 29th, 2011, the Ministry of Finance issued Circular No. 94/2011/TT-BTC amending and supplementing Circular No. 120/2005/TT-BTC dated December 30th, 2005 of the Ministry of Finance providing guidelines for the implementation of Decree No. 142/2005/ND-CP dated November 14th, 2005 of the Government on collection of land rents and water surface rents.
- Circular No. 93/2011/TT-BTC dated June 29th, 2011 of the Ministry of Finance amending and supplementing Circular No. 117/2004/TT-BTC dated December 7th, 2004 of the Ministry of Finance providing guidelines for the implementation of Decree No. 198/2004/ND-CP dated December 3rd, 2004 of the Government on collection of land use levies.

Natural Resources - Environment

- On July 12th, 2011, the Ministry of Industry and Trade stipulated Decision No.3463/QD-BCT supplementing the partition planning of exploration, exploitation, processing and use of gold, copper, nickel, molybdenum ores in Vietnam until 2015, with orientation to 2025.
- Decision No. 38/2011/QD-TTg dated July 5th, 2011 of the Prime Minister amending and supplementing a number articles of Decision No. 58/2008/QD-TTg dated April 29th, 2008 of the Prime Minister on targeted support funded by the State budget to thoroughly deal with and remedy pollutions and minimize environmental degradation with respect to a number of objects of public use sector.
- On July 20th, 2011, the Ministry of Natural Resources and Environment issued Circular No. 27/2011/TT-BTNMT providing for the testing and calibration with respect to a number of equipment for measuring sea maps.
- Circular No. 22/2011/TT-BTNMT dated July 1st, 2011 of the Ministry of Natural Resources and Environment providing for the criteria to determine invasive alien species and promulgating the list of invasive alien species.

Science – Technology

- On July 25th, 2011, the Prime Minister stipulated Decision No. 1244/QD-TTg approving the directions, targets and tasks of key sciences and technologies for the period from 2011 to 2015.
- Decision No. 1217/QD-TTg dated July 22nd, 2011 of the Prime Minister approving the national standards for measurement of airflow, direct current (DC) resistance, DC voltage; and supplementing the national standard for measurement of temperature and pressure contents.

- On July 12th, 2011, the People's Committee of Ho Chi Minh City issued Decision No. 47/2011/QD-UBND issuing the Regulation on State management coordination with respect to industrial parks in the area of Ho Chi Minh City.
- Decision No. 46/2011/QD-UBND dated July 12th, 2011 of the People's Committee of Ho Chi Minh City issuing the Regulation on State management coordination with respect to export processing zones and industrial parks in the area of Ho Chi Minh City.
- On July 1st, 2011, the Prime Minister stipulated Decision No. 1041/QD-TTg approving the Project on "Elaboration and application of technical standards and regulations" under the National Program of "Improving productivity and quality of products and goods of Vietnam's enterprises until 2020".
- Circular No. 19/2011/TT-BKHCN dated July 26th, 2011 of the Ministry of Science and Technology providing for the operational organization and management of main point science and technology programs at State level for the period from 2011 to 2015.
- On July 22nd, 2011, the Ministry of Science and Technology issued Circular No.18/2011/BKHCN-SHTT amending and supplementing a number of provisions of Circular No. 01/2007/TT-BKHCN dated February 14th, 2007, as amended and supplemented by Circular No. 13/2010/TT-BKHCN dated July 31st, 2010 and Circular No. 01/2008/TT-BKHCN dated February 25th, 2008, as amended and supplemented by Circular No. 04/2009/TT-BKHCN dated March 27th, 2009.
- Inter-ministerial Circular No. 101/2011/TTLT-BTC-BKHCN dated July 8th, 2011 of the Ministry of Finance and the Ministry of Science and Technology providing guidelines for the financial management applied to program of support to application and transfer of scientific and technological progresses serving economic - society development of rural and mountainous regions for the period from 2011 to 2015.
- On July 4th, 2011, the Ministry of Finance stipulated Circular No. 96/2011/TT-BTC providing guidelines for the implementation of financial policy stipulated in Decision No. 12/2011/QD-TTg dated February 24th, 2011 of the Prime Minister on the policy on development of a number of support industries.

Information - Communications

- Decree No. 58/2011/ND-CP dated July 8th, 2011 on sanctioning against administrative violations in the field of posts.
- On July 13th, 2011, the Ministry of Information and Communications issued Circular No. 21/2011/TT-BTTTT amending and supplementing a number of provisions of Circular No. 13/2008/TT-BTTTT dated December 31st, 2008

providing guidelines for the establishment and operation of representative agencies and resident correspondents in the country of the press agencies and Decision No. 28/2002/QD-BHTT dated December 21st, 2002 of the Minister of Culture and Information promulgating the Regulation on publication of news bulletins, documents and leaflets; issuance of press releases; publication and/or transmission of news bulletins on electronic screens by foreign agencies and organizations as well as legal persons involving foreign elements, in Vietnam.

- Circular No. 20/2011/TT-BTTTT dated July 1st, 2011 of the Ministry of Information and Communications providing for the list of products and goods likely causing loss of safety under the management responsibility of the Ministry of Information and Communications.
- On July 1st, 2011, the Ministry of Information and Communications stipulated Circular No. 19/2011/TT-BTTTT providing for the application of open document format standard in State agencies.

Administration - Judiciary

- Ordinance No. 16/2011/UBTVQH12 dated June 30th, 2011 of the National Assembly's Standing Committee on the management and use of weapons, explosive materials and support tools.
- On July 28th, 2011, the Government issued Decree No. 64/2011/ND-CP providing for the implementation of compulsory treatment of diseases.
- Decree No. 62/2011/ND-CP dated July 26th, 2011 on the establishment of provincial cities, towns, urban districts, wards and townships.
- On July 26th, 2011, the Government stipulated Decree No. 61/2011/ND-CP amending and supplementing a number of articles of Decree No. 135/2004/ND-CP dated June 10th, 2004 of the Government providing for the regime on application of the measure of consignment to disease treatment establishments, and organization and operation of disease treatment establishments under the Ordinance on Handling of Administrative Violations, and the regime applicable to minors and volunteers coming to disease treatment establishments.
- Decree No. 55/2011/ND-CP dated July 4th, 2011 providing for the functions, tasks, powers and organizational structure of legal organization.
- On July 27th, 2011, the Prime Minister issued Decision No. 1271/QD-TTg on the organization of the census of economic, administrative and non-business professional establishments in 2012.
- Decision No. 1173/QD-TTg dated July 18th, 2011 of the Prime Minister promulgating the plan for initial implementation of Law on Human Trafficking Prevention and Combat.

- On July 8th, 2011, the Prime Minister stipulated Decision No. 1097/QD-TTg amending and supplementing the pilot project on recruiting 600 graduated young and eminent intellects to hold the vice chairman positions in communal People's Committees in 62 poor districts, approved by Decision No. 170/QD-TTg dated January 26th, 2011 of the Prime Minister.
- Decision No. 1072/QD-TTg dated July 5th, 2011 of the Prime Minister approving the strategy on development of lawyer profession until 2020.
- On July 28th, 2011, the Government Inspectorate issued Circular No.07/2011/TT-TTCP providing guidelines for the process of receiving citizens.
- Circular No. 50/2011/TT-BCA dated July 11th, 2011 of the Ministry of Public Security providing for the receipt of citizens coming to make complaints, denunciations, proposals and reflections in the People's Police.
- On July 5th, 2011, the Ministry of Finance stipulated Circular No. 98/2011/TT-BTC amending and supplementing Circular No. 36/2004/TT-BTC dated April 26th, 2004 of the Ministry of Finance providing for the collection, submission and use management of charges for legalization and consular certification.

Agriculture - Forestry

- Decision No. 22/2011/QD-UBND dated July 18th, 2011 of People's Committee of Hanoi promulgating "Regulations on prevention of and fighting against forest fires in the area of Hanoi".
- On July 15th, 2011, the Ministry of Agriculture and Rural Development issued Circular No. 49/2011/TT-BNNPTNT on amendment and supplement to a number of articles of Circular No. 28/2009/TT-BNNPTNT dated June 2nd, 2009 of the Ministry of Agriculture and Rural Development providing for order of and procedures for elaborating and promulgating legal documents in the field of agriculture and rural development.

Miscellaneous

- Decree No. 59/2011/ND-CP dated July 18th, 2011 on conversion of enterprises with 100% state-owned capital into shareholding companies.
- On July 25th, 2011, the Committee for Ethnic Minorities Affairs stipulated Decision No. 199/QD-UBDT announcing the list of legal documents issued by the Committee for Ethnic Minorities Affairs, which are no longer valid.
- Decision No. 45/2011/QD-UBND dated July 12th, 2011, of the People's Committee of Ho Chi Minh City on the repeal of documents.
- On July 8th, 2011, the Prime Minister issued Decision No. 1098/QD-TTg promulgating the list of documents detailing the implementation of the Laws adopted at the 9th session of the National Assembly's Legislature XII and

assigning agencies in charge of elaborating and submitting to the Government for issuance.

- Decision No. 975/QD-BKHDT dated July 7th, 2011 of the Ministry of Planning and Investment issuing the Regulation on operation of the Council for encouraging the development of small and medium size enterprises.
- On July 19th, 2011, the Ministry of Industry and Trade stipulated Circular No.27/2011/TT-BCT providing for the order of and procedures for investigation and sanctioning against violations in the electricity field.

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