

6 key takeaways to cope with patent infringement allegations in Vietnam

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Introduction

Have you ever been accused of patent infringement while conducting manufacturing and business operations in Vietnam? If you're unsure how to respond to a patent infringement allegation, you may be tempted to panic and worry about the worst-case scenario. You're probably wondering if your goods are illegal and thus subject to seizure on the market or at the border; if you'll be held liable for future items allegedly infringing a patent; if your business will face expensive lawsuits for damages; if consumers will turn against you and/or your business will likely attract negative media attention, and so on.

To alleviate the aforementioned concerns and avoid spiraling negative repercussions that may have unintended implications, in many cases, an alleged infringer typically takes the following approaches:

- ✓ Acceptance of patent infringement;
- ✓ Acceptance of signing a letter of undertaking provided by the patent holder;
- ✓ Acceptance of the removal of allegedly infringing products from the market.
- ✓ Obtaining licensing for the patented invention through negotiation.

Hastily accepting requests from an IPR holder after receiving a patent infringement allegation may have a detrimental effect on your legal position, exposing you to greater legal risks.

Approaches to deal with claims of patent infringement in Vietnam

Anyone, whether a plaintiff or a defendant, should have their true rights and interests protected as long as they are just and legitimate. In many instances, the defendant or accused individual turns out to be not the perpetrator. When accused of patent infringement, it is critical to maintain your composure. Remember, Vietnam's IP law awards patent holders the exclusive right to profit and utilize inventions, to sue others for infringement, but not because of these privileges does it deprive an accused organization or individual of the right to self-defense, or the right to be defended.

Building an effective plan for responding to patent infringement allegations	
In our experience, the following questions need to be addressed in order to build an effective plan for responding to patent infringement allegations in Vietnam:	
(#1)	<i>What grounds can be used to refute an allegation of patent infringement in Vietnam? Specifically, which documents/arguments will the defendants use to demonstrate that their product/process isn't identical/equivalent to the patented invention?</i>
(#2)	<i>Is the allegedly infringing product/process exempt from patent infringement or patent fair use in Vietnam?</i>
(#3)	<i>What precautions should be taken to minimize damages and safeguard your agents and distributors in the case of a patent infringement accusation in Vietnam?</i>
(#4)	<i>What are the risks to an accused organization if patent holders bring enforcement actions against it? What is the current compensation mechanism in Vietnam?</i>
(#5)	<i>How to challenge a patent's validity in Vietnam?</i>
(#6)	<i>Is it acceptable to use an expert witness in Vietnam to provide testimony on the non-infringement in response to the patent owner's accusation?</i>

We provide below some recommendations in the event that you receive an allegation of patent infringement in Vietnam.

1. Thoroughly analyze the scope of patent protection

What grounds can be used to refute an allegation of patent infringement in Vietnam? Specifically, which documents/arguments will the defendants use to demonstrate that their product/process isn't identical/equivalent to the patented invention?

Does the patented invention contain any weak points?

Typically, a patent infringement allegation begins with the patent owner providing documentation/proof that you have engaged in one or more acts such as manufacturing, trading, or importing products that are identical or equivalent to the patentee's product. When defending against patent infringement allegations in Vietnam, the following points should be considered:

- ✓ Is there a basis for rejecting the patent holder's documents/evidence?
- ✓ What are the requirements for establishing that an allegedly infringing product is "identical" and/or "equivalent" to a patent?
- ✓ What are the criteria for determining whether an alleged product is not "identical" or "equivalent" to the protected invention?

Evidence: The central issue on which patentees base their accusations of alleged infringement is evidence. In civil proceedings, the patentee's and defendant's entire proof process is centered on the issue of evidence; each stage of the civil procedure begins, ends, and is largely influenced by the evidence. Cases are often won and lost based on these evidentiary issues. In recent IP cases tried in Vietnam, a lot of the evidence that has been accepted into IP disputes in Vietnam was thrown out by the courts because those evidence submitted in support of the lawsuit petitions was judged inadmissible. Substantiated proofs must adhere to statutory requirements to be considered admissible evidence.

Inadmissible evidence is evidence that is not garnered in accordance with the legal order, and thus cannot be used by the Court as a basis to ascertain the objective facts of the case, as well as to ascertain the litigants' claim or objection. During the case's resolution, the admissibility of evidence is determined in accordance with Article 95 of Vietnam Civil Procedure Code and other provisions of the civil procedure law. **Illegally gathered evidence (or improperly obtained evidence) that does not establish a connection/link between the alleged product and the accused party should not be considered as evidence.** Thus, it is clear that it is necessary to **compare and carefully analyze the evidence** presented by the patent holder in order to **identify inconsistencies, contradictions, and "weaknesses" in those evidences.** The party charged with patent infringement should have the necessary knowledge to comprehend the provisions of Vietnamese law governing evidence and, on that basis, to consider the possibility of refuting the legality of the evidence provided by the patentee. (see a relevant article: <https://kenfoxlaw.com/chung-cu-trong-cac-vu-an-so-huu-tri-tue-tai-viet-nam>).

"Identical" and/or "equivalent": When a patentee asserts a patent infringement claim, he must compare the accused product with the patented product under certain patent claim/s (*independent and dependent claims*). In principle, if all the basic technical features mentioned in that claim are present in the alleged product in an identical or equivalent form, the alleged product is considered to be identical or equivalent to the protected object.

- Two technical signs (features) are considered to be identical if they satisfy all four conditions as follows: (i) they are of the same nature, (ii) they have the same utility, (iii) they have the same method of utilization and (iv) they have the same connection with other signs /features mentioned in the claim.
- Two technical signs (features) are considered equivalent if they satisfy all three conditions as follows: (i) they are of similar or interchangeable natures, (ii) they basically have the same utility, and (iii) they basically have the same utility.

Not considered "identical" or "equivalent" to a protected invention: The patent law of Vietnam provides that: *[If the product/product part/process under consideration does not contain at least at least a basic technical sign (feature) stated in the claim, the alleged product/product part/process shall be regarded as neither identical nor equivalent to any product/product part/process protected under that*

claim]. Thus, in order to refute an allegation of a patent infringement in Vietnam, the accused party needs to demonstrate that their product lacks at least one of the basic technical features mentioned in the claim.

2. Exemption from patent infringement or fair use

In some cases, a patentee has no right to enforce against the use of the protected invention. In other words, your use of a patentee's invention without permission will not constitute an infringement of the patent in the following cases:

- ✓ *Use the invention for personal use or non-commercial purposes or for the purpose of evaluation, analysis, research, teaching, testing, trial production or information gathering to carry out the procedure; continue to apply for permission to manufacture, import and circulate products;*
- ✓ *Circulating, importing, exploiting the utility of products put on the market, including foreign markets in a lawful manner;*
- ✓ *Using the invention only for the purpose of maintaining the operation of foreign means of transport in transit or temporarily located in the Vietnamese territory;*
- ✓ *Using an invention previously used by the right holder;*
- ✓ *Using inventions permitted by a competent state agency in accordance with the provisions of Articles 145 and 146 of the Intellectual Property Law.*

3. Precautions to minimize damages and safeguard your agents and distributors

Minimizing damages and protecting the dealer and distributor system is an urgent task when you are faced with allegations of IP infringement in general and patent infringement in particular. As an accused party, you may consider taking the following actions to minimize damages:

- ✓ *Promptly alerting your agent or distribution network's responsible person/s about the existence or potential of an IPR dispute involving the products being offered for sale;*
- ✓ *Assuring that the source of goods, transaction documentation, product-related contracts, and sales personnel are carefully managed, and that all dealings with third parties are carried out with utmost prudence;*
- ✓ *Seeking to modify certain technical characteristics of the accused product in comparison to the patented object.*

4. Understanding about the risks and IPR enforcement practice in Vietnam to find answers to the below questions:

What are the risks to an accused organization if patent holders bring enforcement actions against it? What is the current compensation mechanism in Vietnam?

When an infringement of patent rights occurs, the patentee may pursue administrative and/or civil remedies. As a result, if the patent holder seeks resolution through administrative enforcement agencies (for example, the Science and Technology Inspectorates) or a court, you may face the administrative and civil sanctions mentioned below:

Administrative sanctions: In principle, for each act of infringement of IPRs in general, and inventions in particular, the Vietnamese administrative enforcement agency may impose one of two sanction types, a warning or a (monetary) fine. The amount of the fine is determined by the value of the products detected during the inspection. It should be noted that the (monetary) fine imposed on an infringer will be low when (i) the value of infringing items is low and (ii) the quantity of the infringing items detected and seized during the raid conducted by Vietnamese enforcement authority is small. The fine level applicable to an administrative offense in Vietnam is the average of the fine brackets specified for that act.

In order to impose a monetary penalty on an infringer, Vietnamese enforcement authorities must determine the value of infringing products seized during the raid. The value of infringing products is determined the bases that are arranged in the priority order as follows:

- a) *The listed prices of the infringing goods;*

- b) *The actual selling prices of the infringing goods;*
- c) *The cost of the infringing goods (if not yet delivered for sale);*
- d) *The market prices of comparable goods with the same technical specifications and quality.*

- Remember that, in Vietnam, in cases where the value of the infringing product cannot be determined using the aforementioned criteria, an enforcement authority **often requires the infringer to declare the infringing product's price in order to determine the amount of the monetary fine.**
- As a result, *the lower the overall value of infringing products seized during the raid, the lower the monetary penalty levied against the infringement.*

Remember that, in Vietnam, in cases where the value of the infringing product cannot be determined using the aforementioned criteria, an enforcement authority **often requires the infringer to declare the infringing product's price in order to determine the amount of the monetary fine.** As a result, *the lower the overall value of infringing products seized during the raid, the lower the monetary penalty levied against the infringement.*

The maximum fine for an individual is VND 250,000,000 (approx. US\$ 12,500). Meanwhile, the maximum fine for organizations is 500,000,000 VND (approx. US\$ 25,000).

Civil sanctions: The court may enter an order compelling the defendant to pursue civil remedies as prescribed in Article 202 of the Intellectual Property Law. Please note that, apart from seeking monetary damages, patentees have the right to ask the Court to compel organizations and people that violate intellectual property rights to pay reasonable legal fees.

Conversely, the defendant is not always put in a disadvantageous position as compared to the plaintiff. If the defendant is found not to have undertaken an infringing act, he is statutorily authorized to ask the court to compel the plaintiff to pay his reasonable costs of engaging a lawyer or other fees as prescribed by law. This legislative provision was recently included in the 2019 revised IP Law of Vietnam and is said to be quite advanced in balancing the plaintiff's and the defendant's interest.

A frequent source of concern for both plaintiffs and defendants is the current compensation mechanism in Vietnam. How much compensation is often received and how large is it? Indeed, in order to recover damages, the plaintiff must establish actual losses that they have suffered, as well as a causal nexus between the act of infringement and damages. Indeed, the court frequently sets a low level of compensation in many IPR cases that proceed to trial. This is because establishing damages as the basis for compensation claims is not always straightforward, and plaintiffs must adhere to extremely stringent and sophisticated rules for calculating the amount of material loss that occurred in line with Vietnamese law (see our article: [Claiming damages in IPR lawsuits in Vietnam-Key takeaways](#))

5. How to challenge a patent's validity in Vietnam?

One of the most frequently utilized defenses in patent disputes by alleged patent infringers is to challenge the validity of a patent. Under Vietnam's patent law, any organization or individual may petition the Intellectual Property Office of Vietnam to invalidate a patent in the following two situations:

- (i) *The applicant for an invention registration does not have the right to register and cannot assign the right to register the invention;*
- (ii) *The invention does not satisfy the protection conditions at the time of granting the protection title.*

Additionally, pursuant to the draft amended IP Law, which the National Assembly of Vietnam is likely to ratify in 2022, patents may be invalidated in whole or in part in the following circumstances:

- (i) *The invention does not meet the protection requirements set forth in Articles 8 and VII of the IP Law;*
- (ii) *The amendments and supplementation of a patent application expand the scope of the objects disclosed or stated in the application or alter the nature of the objects sought for registration stated in the application;*
- (iii) *The invention is not disclosed sufficiently and clearly to the extent that it is possible for a person with average skill in the art to perform it;*

- (iv) *The patented invention extends beyond the scope disclosed in the original specification of the patent application;*
- (v) *The invention does not satisfy the first filing principle specified in Article 90 of the IP Law.*

One of the commonly used methods of attacking the validity of a patent in Vietnam is to initiate a patent invalidation on the grounds that the invention does not satisfy one of the three conditions of protection, namely, (i) novelty, (ii) inventive step, and (iii) industrial applicability. If one of the three legislative requirements for the patented technical solution is proved to have been violated, the invention is declared invalid. The principles for assessing the novelty, inventive step and industrial applicability of an invention are detailed at Points 25.4, 25.5 and 25.6 of Circular No. 01/2007/TT-BKHCN.

To accomplish this, it is necessary to provide documents/proofs of prior art technical solutions that are identical/equivalent to the patented technical solutions through searching, using patent search tools, or obtaining information from any source to establish that the alleged product predates the patented product and thus does not meet the conditions for protection (e.g. due to loss of novelty).

In addition, a patent invalidation claimant may also seek and check the possibility of invalidating a patent in Vietnam by obtaining documentation proving that the patent application has been amended in such a way that the scope of the objects disclosed or stated in the original application has been expanded; or conducting a test to determine whether *a person* with average skill in the art can deduce the invention; or establishing that the patented invention extends beyond the scope disclosed in the original description of the patent application.

Thus, there are multiple grounds/measures for challenging the validity of a patent in Vietnam's patent invalidation procedure.

6. Is it acceptable to use an expert witness to provide testimony on the non-infringement in response to the patent owner's accusation?

An expert opinion from a patent expert witness asserting that the accused product is not same or equivalent to the patented invention is a critical document that can be used to give more weight to non-infringement arguments. Wherever possible, you should collaborate actively with experts in the field of the contested patent to develop extensive, clear comparisons/analyses to bolster non-infringement arguments and counter patent infringement allegations from the patentee.

Conclusion

Being accused of IPR infringement in general and patent in particular is always an obsession with the accused organization/individual. Conduct a thorough and cautious examination of patent infringement allegations, but do not panic. Make an effort to determine the best strategy for responding prudently and lawfully to patent holders' claims, thereby balancing your position if you are forced to participate in the resolution of patent disputes with the patent owner, as well as minimizing the damage to your business or partners trading/distributing your products in the Vietnamese market.

Even if you possess in-depth technical knowledge, our recommendation is that you retain the services of experienced intellectual property professionals, particularly lawyers with experience in the field of IPR enforcement. **KENFOX IP attorneys** with a breadth of knowledge and skills will assist you in comprehending, analyzing, and recommending adaptable techniques that are appropriate for your organization. We believe that a right solution, but if it is not appropriate for your business, it won't be a good solution.