

A patent infringement case in Vietnam adjudicated under civil proceedings – some key takeaways

Facts

Bayer SAS, a French company, engages in manufacturing agrochemicals and chemicals used in agriculture (“**the plaintiff**”). The plaintiff was granted a patent in Vietnam. The subject matter protected under the patent is new agrochemical combinations of two known insecticides and other agrochemical products.

The plaintiff discovered through market research that a Vietnamese company named "Công ty TNHH Thương mại Nông Phát" ("**Nong Phat**") manufactured pesticides named "SESPA GOLD" and "HUMMER" that contained the active ingredients "Fipronil" and "Imidacloprid" - the combination protected by several claims of the plaintiff's patent.

To substantiate the infringement allegation, the plaintiff sought an expert opinion (witness) from the Vietnam Intellectual Property Research Institute on the possibility of patent infringement (VIPRI). The VIPRI then rendered expert witness testimony in favor of the plaintiff.



Based on the VIPRI's expert opinion (witness), the plaintiff filed a lawsuit against Nong Phat before a court in Ho Chi Minh City, Vietnam (“**the Court**”) for hearing. In the lawsuit petition, the plaintiff requested the Ho Chi Minh People's Court to order the defendant (i) to cease manufacturing, distributing, storing, circulating, offering for sales, advertising the pesticides named “SESPA GOLD”, (ii) to stop importing material, additives for manufacturing “SESPA GOLD” and “HUMMER” products, (iii) to recall the “SESPA GOLD” products, (iv) to withdraw the dossier for

registration for circulation of this product at Plant Protection Department, (v) to not register for circulation of any products containing “Fipronil” and “Imidacloprid”, (vi) pay a compensation damage of VND 200 million (~US\$8,700) for hiring lawyer to engage in the lawsuit and (vii) make a public apology in local newspapers.

Counter-actions from the defendant

The defendant, Nong Phat, did not accept the infringement accusation from the plaintiff, pleading that (i) the ingredients “Fipronil” and “Imidacloprid” were imported from a foreign company who entrusted the defendant to use the above-mentioned ingredients and (ii) Plant Protection Department, upon receipt of the dossier for registration for circulation of “SESPA GOLD” and “HUMMER” products, reviewed, checked and determined that those products meet registration criteria. All of the foregoing evidence establishes that the defendant's products are lawful and that their manufacturing, distribution, storage, circulation, offering for sale, and advertising of the alleged pesticides complies with Vietnamese law.

The defendant brought an invalidation action against the plaintiff's patent in the hope that the proceedings would be stayed by the Court.

The IP Office of Vietnam (“IP VIETNAM”)

IP VIETNAM was requested to give its expert opinions who then confirmed that although the cancellation action was filed, the plaintiff’s patent was still in force.

Court’s judgement

Despite the pending invalidation of the plaintiff’s patent, the Court determined that the matter needed to be heard to protect the parties’ legitimate rights and interests and to ensure compliance with applicable intellectual property laws.

Taking the facts of the case into consideration, the Court issued a judgment accepting the majority of the plaintiff’s claims in the lawsuit petition. However, the defendant was ordered to pay the plaintiff VND 59,469,750 (US\$2,600) in attorney’s fees / for employing a lawyer to represent him in the action.

Key takeaways

1. Even if an invalidation action is filed with IP VIETNAM, civil procedures may not be stayed.

The defendant had filed a cancellation action against the patent right before the trial opened, based on which, he requested the court to suspend the case pursuant to Article 214.1(d), the 2015 Civil Procedure Code which provides that [*The Court shall issue a decision to suspend the resolution of a civil lawsuit in one of the following cases: The results of resolution of another related case or matter, which, as required by law, must be settled by other agencies or organizations before the cases are resolved, need to be waited for*]. In addition, under Article 27 and 28, Decree No. 99/2013/ND-CP, the Court may suspend the hearing and request the concerned parties to settle the invalidation action at IP VIETNAM.

Given that this is an IPR-based court case, the Court made a comparison the Civil Procedure Code to the Law on Intellectual Property to determine which law should prevail in considering whether to suspend the case. Both the court and the procuracy eventually agreed that the Law on Intellectual Property should prevail, because it is a specialized law in relation to the general law of the Civil Procedure Code. Accordingly, given that no provisions are set out in the Law on Intellectual Property requiring the court to suspend the case, the Court dismissed the defendant’s motion and heard the case regardless of the pending invalidation initiated by the defendant against the plaintiff’s patent and made a judgment in favor of the foreign patentee. The Court’s actions helped other enforcement authorities in Vietnam feel confident in handling IPR infringement cases in which the alleged infringers try to create a dispute, making it as a pleading for further delay or cancellation or suspension of handling the IPR infringement cases.

Given the length of time required to conclude cancellation procedures at IP VIETNAM, the other Vietnamese courts could rely on the above precedent when considering similar cases in the future. Plaintiffs may face an extremely lengthy wait if courts insist on waiting for cancellation/invalidation rulings before awarding judgments in IP dispute cases.

2. Remedies against IPR infringement in Vietnam

Subject to the nature and severity of IPR infringement, when IPR infringements occur, the IPR holder may resort to ***administrative, civil*** or ***criminal*** route to fight against IPR infringement. In case the counterfeits or infringing products are imported into Vietnam, the IPR holder should consider taking ***border control measure*** to monitor inbound shipments and seize counterfeits at border gates of Vietnam if detected.

In Vietnam, patent rights can be enforced through administrative procedure (*i.e. before such administrative enforcement authorities as Market Management Agencies, Police, Inspectorates of Ministry of Science &*

Technology, Customs) and civil proceedings (*i.e. before a relevant court*). Criminal route is not statutorily applicable to patent infringement.

Civil action is currently not widely used in Vietnam because right holders often feel the courts are inexperienced. However, civil action is gaining in popularity because it provides unique remedies that are not available under administrative action, such as compensation for damages, a public apology and rectification and recovery of attorney's fees (see: <https://kenfoxlaw.com/claiming-damages-in-ipr-lawsuits-in-vietnam-key-takeaways>)

3. Counter-actions from the defendant

Practice indicates that one of the common counter-actions which the alleged infringer resort to in a patent infringement case is to challenge the validity of the granted patent (*i.e. to file an invalidation request against the patent with IP VIETNAM*). The invalidation action aims at, inter alia, delaying the proceedings of the patent infringement case. In case of an invalidation action against a patent, the administrative enforcement authorities or courts in Vietnam are inclined to stay infringement proceedings until the patent invalidation proceeding is completed.

Some of other counter-actions may be available under the IP Laws and relevant Decrees of Vietnam for the alleged infringer are as follows:

- (i) *Arguing/Proving that the accused embodiment does not fall within the patent claims if properly construed under Article 8 of Decree No. 105/2006/ND-CP;*
- (ii) *Arguing/Proving that the alleged infringing acts are exempted from patent infringement under Article 125.2 of the IP Law of Vietnam;*
- (iii) *Taking invalidation action against the patent based on which the plaintiff has initiated the lawsuit.*

Of the three above-identified counter-actions, the (iii) has been used most by the defendant in a patent infringement litigation.

4. Claiming damage in civil proceedings in Vietnam

In the lawsuit petition, the plaintiff requested the Court in Vietnam to demand the defendant to pay, among others, an amount of VND 500 million (~US\$21,700). However, in the court hearing, the plaintiff decided to reduce the amount of damage compensation to just VND 59,469,750 (~US\$2,600) which is the lawyer fees paid by the plaintiff for hiring a lawyer to engage in the lawsuit.

Under Vietnam IP Law, the plaintiff can recover reasonable legal fees as well as actual damages. Damages will be determined on the basis of the actual losses suffered by the patent holder. The damages can include the following:

- Material damages, including loss of property, decrease of income and profits, loss of business opportunities, and reasonable expenses for the prevention and remedy of these damages.
- Spiritual damages, including loss of honor, dignity, prestige, or reputation, and other spiritual damages.

The compensation can be calculated using one of the following methods:

- An amount of money equivalent to the total material damage and the profits gained by the defendant from the act of infringement if the reduced profits of the claimant have not yet been included in the total material damage.
- The value of the licence of the patent on the presumption that the defendant had been licensed by the claimant to use the patent under a licence agreement within the extent equivalent to the infringing act committed.

If the rate of compensation cannot be determined/quantified (*based on usual grounds, such as monetary damages incurred by the plaintiff, or the price of the assignment of IP rights if the defendant is an assignee*), under Article 205.1(c), Vietnam IP Law, the court is entitled to set an arbitrary compensation (or statutory compensation) of not more than VND 500 million (approx. US\$ 24,000). Attorney fees for the court action can, in principle, be recovered.

Practice indicates that it is often not easy to claim for damage compensation as desired by the patent owner in Vietnam. To claim damages from infringers, the plaintiff must provide the Court with evidence proving that they have been **actually and directly damaged** due to the IPR infringement caused by the infringer in Vietnam, such as *loss in property and/or decrease in income, profits and/or losses in business opportunities and/or reasonable expenses for prevention and remedy of damage*. The proof of damage based on which compensation is made must be **clear** and **legitimate** evidence (see: (i) <https://kenfoxlaw.com/rules-of-evidence-to-win-ip-infringement-cases-in-vietnam> and (ii) <https://kenfoxlaw.com/provision-of-evidence-and-burden-of-proof-at-court>) showing the direct **causal relation/nexus** between the infringement and the damage. Thus, the compensation ordered by the Court to be paid by the infringer to the trademark owner is practically inconsiderable/very little.

In light of the foregoing, court action is often recommended in case the infringement is very severe, complicated and on large-scale. Even in case the IPR holders determine to bring a case to the Court, they should firstly consider taking enforcement actions against the infringer under administrative proceedings to secure as much infringement evidence as possible for civil actions to be subsequently taken (*if any*).

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