

## How to cope with patent infringement allegations in Vietnam?

*As businesses continue to operate in Vietnam, the possibility of being accused of patent infringement is a looming threat. The mere accusation can cause uncertainty and worry for alleged infringers, who may face a range of negative consequences such as product seizures, lawsuits, and negative media attention. To mitigate these risks, various approaches can be taken, such as accepting the allegation, signing an undertaking letter, removing infringing products, or negotiating for a license. However, hastily accepting an IPR holder's request after an infringement accusation can result in greater legal risks. 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. This article will explore the options for an alleged infringer in Vietnam and provide guidance on how to respond to such allegations while protecting their legal position.*

### 1. Analysis of the scope of patent protection

To enhance their legal standing, a party accused of patent infringement must possess a precise comprehension of a patent's protection scope. Crucially, apprehending the technical solution that a patent covers is imperative for enforcing patent rights. The claims section of a patent plays a pivotal role in establishing the extent of protection that is sought and granted. Additionally, the description and drawings can provide supplementary context and explanation to buttress the claims.

The "claims" section of a patent is considered the core point, the "heart" of the invention, because it helps determine the exclusive scope of protection of the invention. A set of claims may consist of one or more "claims", which contain one or a group of objects to be protected. Each object to be protected is represented by an independent claim and, if necessary, one or several dependent claims. In other words, the claim creates the boundary of the invention's protection - the maximum scope of protection that the patent owner receives.

The claims section of a patent application establishes the exclusive scope of the invention by outlining the extent to which the invention can be safeguarded from unauthorized use or replication. When faced with an infringement allegation, an alleged infringer will need to conduct a comprehensive analysis to ascertain the covered scope of the invention and the validity of the claim.

Upon being granted a patent, the patent holder receives the legal right to prevent other entities from manufacturing, using, selling, or importing the protected invention. However, the extent of protection provided by a patent is not always straightforward and can depend on various factors, such as the language employed in the patent claim, the prior art's state, and the interpretation of the enforcement agency regarding the claims.

In certain circumstances, patent holders may not have a complete understanding of their patent rights until they encounter a situation necessitating enforcement against potentially infringing individuals or organizations. During this process, a patent holder may realize that the scope of protection granted by their patent is narrower or broader than originally intended, or that their patent claims can be subject to different interpretations. This is when an accused infringer must pay close attention to the claims of a patent in order to pinpoint any possible weaknesses and prepare arguments or actions to challenge the validity of the claims as part of their defense.

The claims section of a patent description can be presented in either an "open" or "closed" form, with an open-ended claim having a wider scope of protection and making it more likely for third-party products or processes to be covered by the patent. In contrast, a closed claim limits the scope of the patent, allowing third parties to avoid patent infringement by adding additional elements.

The claim section is often the first aspect of an invention description that is examined by examiners, enforcement agencies, or other parties when assessing an invention's coverage. This is because the claim specifies whether the product or process falls within the protection defined by any of the points in the claim.

Consequently, the risk of infringement is typically greater if the claim section includes an "open" claim, while it is lower if the claim is "closed."

## 2. Evidence of patent infringement: Admissible or not

Generally, a patent infringement allegation arises when a patent owner provides evidence to show that a party has engaged in activities such as manufacturing, trading, or importing products that are identical or equivalent to the patented product. When facing patent infringement allegations in Vietnam, it is crucial to question the validity of the patent holder's evidence.

The crux of patent infringement accusations lies in the evidence presented by the patentee. In civil proceedings, the presentation of evidence is the primary focus of both the plaintiff and defendant, and each stage of the civil procedure is heavily influenced by the evidence presented. The admissibility of evidence plays a critical role in determining the outcome of the case, and cases may be won or lost based on such evidentiary issues. To be considered admissible, evidence must comply with statutory requirements and be substantiated.

In recent intellectual property (IP) cases tried in Vietnam, courts have frequently discarded evidence submitted in support of patent infringement lawsuits, as the evidence was deemed inadmissible due to noncompliance with statutory requirements. In order for evidence to be considered substantiated and admissible, it must adhere to established legal requirements. Therefore, it is vital to challenge the evidence presented by patentees and ensure that all evidence complies with statutory requirements to mount a successful defense against patent infringement allegations in Vietnam.

**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.

## 3. Determining whether an alleged product is not "identical" or "equivalent" to the protected invention

When a patentee asserts a patent infringement claim, they must compare the accused product with the patented product under specific patent claims, both independent and dependent. In principle, if all of the fundamental technical features listed in that claim are present in the accused product in an identical or equivalent form, the accused product is deemed identical or equivalent to the protected object.

To determine whether two technical features are identical, four conditions must be met: (i) they must be of the same nature, (ii) they must have the same utility, (iii) they must have the same method of utilization, and (iv) they must have the same connection with other features mentioned in the claim.

Similarly, two technical features are considered equivalent if they meet three conditions: (i) they are of similar or interchangeable natures, (ii) they have the same basic utility, and (iii) they have the same basic method of utilization.

In summary, a patent infringement claim requires a comparison of the accused product with the patented product under specific patent claims. To be considered identical or equivalent, all fundamental technical features listed in the claim must be present in the accused product in an identical or equivalent form. Technical features are considered identical or equivalent based on specific conditions being met.

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.

#### 4. Exemption from patent infringement or fair use

In certain situations, a patentee may not have the right to enforce their patent against the use of their protected invention. This means that the use of the patentee's invention by a third party without their consent will not constitute an infringement of the patent, under the following circumstances:

- Using the invention for personal or non-commercial purposes, or for purposes of evaluation, analysis, research, teaching, testing, trial production or information gathering, with the intention to apply for permission to manufacture, import, and distribute products.
- Lawfully circulating, importing, or exploiting the utility of products that have been put on the market, including foreign markets.
- Using the invention only for the purpose of maintaining the operation of foreign means of transport in transit or temporarily located within Vietnamese territory.
- Using an invention that was previously used by the patent holder.
- Using inventions permitted by a competent state agency in accordance with the provisions of Articles 145 and 146 of the Intellectual Property Law.

#### 5. Precautions to minimize damages and safeguard your agents and distributors

To minimize damages and protect the dealer and distributor system, it is crucial to take immediate action when faced with allegations of IP infringement, especially patent infringement. As the accused party, consider the following measures:

- Inform the sales agent or distribution network's responsible personnel promptly about any existing or potential IPR disputes involving the products being offered for sale.
- Ensure 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.
- Consider modifying certain technical characteristics of the accused product in comparison to the patented object.

Taking these steps can help the accused party minimize damages and protect your business interests while defending against allegations of IP infringement.

#### 6. Understanding about the risks and IPR enforcement practice in Vietnam

In case of patent infringement in Vietnam, the patent holder has the option to seek administrative and/or civil remedies. Therefore, if the patentee chooses to resolve the issue through administrative enforcement agencies such as the Science and Technology Inspectorates or a court, the accused party may be subject to both administrative and civil sanctions as described below:

**Administrative sanctions:** In principle, for each act of infringement of IPRs in general, and inventions in particular, the Vietnamese administrative enforcement agency has the authority to impose either a warning or a monetary fine for each act of infringement of IPRs, including inventions. The amount of the monetary fine is calculated based on the value of the infringing products that are discovered during the inspection. It is worth noting 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.

To impose a monetary penalty, Vietnamese enforcement authorities must ascertain the value of the infringing products that are seized during the raid. The value is determined using the following priority bases: (i) the listed prices of the infringing goods, (ii) the actual selling prices of the infringing goods, (iii) the cost of the infringing

goods if not yet delivered for sale, and (iv) 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.

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 has the authority to issue an order that requires the defendant to pursue civil remedies as outlined in Article 202 of the Intellectual Property Law. It is worth noting that patent holders are entitled to demand that organizations and individuals who violate intellectual property rights pay for reasonable legal expenses, in addition to seeking monetary damages.

Conversely, the defendant is not always put in a disadvantageous position as compared to the plaintiff. In the event that the defendant is found to have not committed an act of infringement, they are entitled by law to request that the court compel the plaintiff to pay their reasonable attorney's fees or other costs. This provision was added to the 2019 revised IP Law of Vietnam and is considered to be an advanced measure in balancing the interests of both parties.

Plaintiffs and defendants in Vietnam are often concerned about the compensation mechanism for IPR cases. The compensation amount is a frequent topic of discussion as it is determined based on actual losses suffered by the plaintiff and the causal relationship between the infringement and the damages incurred. However, the court often sets a low level of compensation in IPR cases due to the complexity of establishing damages as the basis for claims. Plaintiffs must follow stringent rules for calculating material loss in line with Vietnamese law.

## 7. Seeking grounds to challenge a patent's validity in Vietnam

Alleged patent infringers often use the defense of challenging the validity of a patent in patent disputes. Vietnam's patent law provides that any organization or individual may petition the National Office of Intellectual Property to invalidate a patent in the following cases:

- The patent application is filed in violation with the regulations on security control over inventions;
- The patent application which is directly created on the ground of genetic resources or traditional knowledge associated with genetic resources but fails to disclose or incorrectly discloses the origin of genetic resources or traditional knowledge associated with the genetic resources pertained in such application.
- The applicant neither has right to register the invention nor being assigned such right;
- The invention does not satisfy the protection conditions specified in Article 8 (contrary to social morality and public order, harmful to national defense and security) and Chapter VII (does not meet the protection criteria, namely, novelty, inventive step, and industrial applicability);
- Amendments and supplements to a patent application go beyond the scope of the subject matters disclosed or stated in the application or change the nature of the claimed subject matters;
- The invention has not been disclosed in a full and clear manner to enable the invention to be carried out by a person with average skill in the art;
- Patented inventions go beyond the scope of disclosure as specified in its original specification
- Patented inventions do not satisfy the first-to-file specified in Article 90.

One of the commonly used methods of attacking the validity of a patent in Vietnam is to initiate a patent invalidation proceeding. This is typically done on the basis that the patented invention fails to meet one or more of the three conditions of protection: novelty, inventive step, and industrial applicability. If it can be shown that any of these legislative requirements have been violated, the invention may be declared invalid. The principles for assessing the novelty, inventive step, and industrial applicability of an invention are detailed in Circular 01/2007/TT-BKHCN, specifically at Points 25.4, 25.5, and 25.6.

In order to initiate a patent invalidation proceeding on these grounds, it is necessary to provide documents or

proofs of prior art technical solutions that are identical or equivalent to the patented technical solutions. This may involve conducting searches using patent search tools or obtaining information from any available source. The purpose is to establish that the alleged product predates the patented product, and therefore does not meet the conditions for protection due to loss of novelty.

Additionally, apart from attacking the validity of a patent in Vietnam by proving that the patented technical solution does not meet the legislative requirements of novelty, inventive step, and industrial applicability, a patent invalidation claimant may also utilize other grounds. These include obtaining documentation to demonstrate that the scope of the objects disclosed in the original patent application has been expanded through amendments, conducting tests to establish whether a person with average skill in the art can deduce the invention, or proving that the patented invention goes beyond the scope disclosed in the original description of the patent application.

Therefore, there are multiple grounds/measures for challenging the validity of a patent in Vietnam's patent invalidation procedure. By utilizing the available options and providing the necessary evidence, a patent invalidation claimant can increase the chances of success in their efforts to invalidate a patent.

#### **8. Using an expert witness to provide testimony on the non-infringement in response to the patent owner's accusation**

To strengthen non-infringement arguments and counter patent infringement allegations from the patentee, it is crucial to obtain an expert opinion from a patent expert witness stating that the accused product is not the same or equivalent to the patented invention. Active collaboration with experts in the relevant field of the contested patent is highly recommended to develop comprehensive and clear comparisons and analyses. This will give more weight to the non-infringement arguments presented.

#### **Conclusion**

Facing accusations of IPR infringement can be a daunting experience, particularly in patent disputes. It is crucial to conduct a careful and thorough investigation of the allegations and not panic. 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.

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