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Patent Protection in Vietnam: A Business Decision

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Patent Protection in Vietnam: A Business Decision

Rory J. Radding* and H.T. Than**

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I. INTRODUCTION

Since the lifting of the U.S. embargo against Vietnam, the desire of the U.S. business community to enter into the Vietnamese market has intensified. At Vietnam's Fourth Annual International Trade Fair, the first since the lifting of the embargo, over 200 foreign companies participated along with about 150 Vietnamese businesses.¹ Enthusiasm for U.S. manufactured goods was more than evident. Vietnam's industrial output increased at a rate of eleven percent higher

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1. *Asia Briefs: Coke and Chryslers Make a Splash*, ASIAN WALL ST. J. WKLY., Apr. 11, 1994, at 8.

in the first quarter of 1994 than in the same period the previous year, and foreign investments exceeded one billion U.S. dollars for the same period in 1994.²

Despite the optimism, an inadequate infrastructure and an arcane legal system have kept away some potential investors.³ This paper seeks to address one area of the law that poses a substantial amount of uncertainty for foreign investors. Foreign businesses contemplating an expansion into Vietnam are often faced with the question of how to protect their technologies in Vietnam if they decide to enter this market. Basically, the business managers must answer three questions:

1. What are the costs for acquiring protection for intellectual property rights?
2. Are the benefits derived from the protection worth the costs of obtaining them?
3. Given the possibility of having products copied and having to compete against these copies, should businesses enter the Vietnam market without patent protection?

This article offers some guidelines to help business managers answer these questions.

II. BACKGROUND

A. *The Evolution of Patent Laws in Vietnam*

The earliest known organized patent law system⁴ in Vietnam dates back to June 24, 1893, when France decreed that its patent law system was applicable to its Indochinese colonies which included Vietnam, Cambodia, and Laos.⁵ Under this decree, France's Department of Commerce and Industry had the power to issue patents in the colony.⁶ After the French defeat at Dien Bien Phu in 1954, Vietnam was divided into the Democratic Republic of Vietnam (North Vietnam) and the Republic of Vietnam (South Vietnam).⁷ Until its forced annexation to

2. *Vietnam: Value of Industrial Output Rises*, ASIAN WALL ST. J. WKLY., Apr. 18, 1994, at 8.

3. Dan Biers, *As Vietnam Opens Its Arms to Foreign Investors, Japanese, U.S. Firms Take a Measured Plunge*, ASIAN WALL ST. J. WKLY., Sept. 5, 1994, at 2; Michael J. Scown, *Vietnam Has Far To Go to Nurture Investment*, ASIAN WALL ST. J. WKLY., Nov. 7, 1994, at 16.

4. It is entirely possible that during its long history of over 4000 years, the numerous dynasties that ruled Vietnam devised systems to reward inventors for their inventive labors. No attempt was made to locate these earlier laws.

5. Decree of the 24th of June, 1893, *reprinted in* 1 PATENT LAWS OF THE WORLD 438-40 (4th ed. 1911).

6. *Id.* art. 4.

7. *Geography and History, Political Risk Services*, IBC USA, Oct. 1, 1994, available in LEXIS, Asiapc Library, Vietnam File.

North Vietnam in 1975, the Republic of Vietnam had its own patent law system, which was promulgated in 1957, and modeled after the old French system.⁸

In contrast, North Vietnam apparently did not have a patent law system prior to the forced annexation.⁹ Pursuant to a 1945 decree, the French colonial laws that were in effect in North Vietnam continued to have effect.¹⁰ However, it is difficult to imagine that the North Vietnamese would continue to allow France the power to issue Vietnamese patents. In 1955, the People's Supreme Court ended the reliance on French colonial laws when the Court claimed jurisdiction to decide all legal matters that could not be resolved by reference to the existing North Vietnamese laws and the Communist Party's philosophy or policies.¹¹ The first known decree relating to intellectual property was promulgated in 1958 regulating trademarks.¹²

B. The Current Patent Law System of Vietnam

The Communist government decreed a working patent system in 1981.¹³ A national patent office was also created at this time. Vietnam's patent office is known as the National Office of Industrial Property (National Office), which is a part of the State Committee for Science and Technology (State Committee).¹⁴ The State Committee in turn, is under the control of the Council of Ministers.¹⁵

The patent system has undergone major changes since 1981. In 1989, the Council of Ministers promulgated a comprehensive decree which attempted to integrate many different types of intellectual properties under one umbrella.¹⁶ Under the 1989 Decree, three types of "patents" are protected: inventions, utility

8. Patent Law No. 12/57, Aug. 10, 1957, reprinted in 60 PAT. & T.M. REV. 55. See also WM. WALLACE WHITE & BYFLEET G. RAVENSCROFT, PATENTS THROUGHOUT THE WORLD 394a-394b (2d ed., 1976).

9. Ivo Vasiljev, *Democratic Republic of Viet-nam*, in INTERNATIONAL ENCYCLOPEDIA OF COMPARATIVE LAW: NATIONAL REPORTS D-20 (Viktor Knapp ed., 1993).

10. Barbara G. James, *Vietnamese Law in English: A Selected Annotated Bibliography*, 84 L. LIBR. J. 461, 463 (1992) (citing Article 12 of the 1945 Decree).

11. *Id.* at 464.

12. See generally Vasiljev, *supra* note 9, at D-20 (discussing Order No. 175 of the Prime Minister, and Order No. 139 of the Minister of Trade).

13. *Điều lệ về sáng kiến cải tiến kỹ thuật - hợp lý hóa sản xuất và sáng chế* [Ordinance on Innovation to Effect Technical Improvements and Rationalizations in Production, and on Inventions], Jan. 23, 1981, translated in 3 INDUSTRIAL PROPERTY LAWS & TREATIES 2-001, at 001 (1982) [hereinafter Ordinance].

14. Sesto E. Vecchi and Michael Scown, *Vietnam: Intellectual Property Rights Protection*, IP ASIA, July 27, 1992, at 3.

15. *Id.*

16. Decree on Protection of Industrial Property Rights, Feb. 11, 1989, translated in 3 INDUSTRIAL PROPERTY LAWS & TREATIES 1-001, at 001 (1989).

solutions, and industrial designs.¹⁷ Trademarks and geographical origin of goods are also protected.¹⁸

In addition to the 1989 Decree, other decrees relevant to patents were promulgated. These decrees include a decree on design patents,¹⁹ a decree regulating the licensing of industrial rights,²⁰ and a decree on utility solutions.²¹

Vietnam remains a staunch Communist country. Thus, it is not surprising that its patent law system has a distinct socialist flavor. By definition, inventions that are contrary to the public order, that do not benefit society, and, most importantly, that are contrary to the morality of socialism, are excluded from protection.²² Furthermore, the owner of the patent must compensate the inventor as a reward for his inventive labors.²³ Here, the State is trying to protect the inventor/worker from the patent owner, who is presumptively in the position to exploit the worker.

It should be noted that the patent system may undergo substantial changes if Vietnam becomes a member of the World Trade Organization (WTO), which replaces the General Agreement on Tariffs and Trade (GATT).²⁴ GATT includes an agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), which contains a number of provisions concerning patent rights.²⁵ Vietnam was granted observer status by the GATT Council in July 1994, and formally applied for WTO membership in January 1995.²⁶

More changes may occur when Vietnam becomes a member of the Association of Southeast Asian Nations (ASEAN) because the ASEAN member countries are debating whether to establish an international patent office, which would issue patents on behalf of its members.²⁷ This article will only discuss Vietnam's current patent law system.

17. *Id.* ch. I, § 1(1). This paper concentrates only on patent protection for inventions, utility solutions, and industrial designs.

18. *Id.*

19. *Điều lệ về kiểu dáng công nghiệp* [Decree on Industrial Design], Decree No. 85-HDBT, May 13, 1988, amended by Decree No. 84-HDBT, Mar. 20, 1990.

20. *Về mua bán quyền sử dụng sáng chế, giải pháp hữu ích, kiểu dáng công nghiệp, nhãn hiệu hàng hóa và bí quyết kỹ thuật* [Decree on Licensing of Intellectual Properties], Decree No. 201-HDBT, Dec. 12, 1988.

21. *Điều lệ về giải pháp hữu ích* [Decree on Utility Solution], Dec. 12, 1988.

22. Decree on Protection of Industrial Property Rights, *supra* note 16, ch. I, § 4(6). It is interesting to note that this provision is apparently a successor of similar provisions in the patent systems promulgated by the French and the South Vietnamese. Under the earlier provisions, patents that are contrary to order, joint security, good habits, or laws of the country can be annulled by a court of law. Patent Law No. 12/57, *supra* note 8, ch. IV, art. 21.

23. Decree on Protection of Industrial Property Rights, *supra* note 16, ch. 2, § 17.

24. *ASEAN Group Agrees on Approach to Intellectual Property Rights Pact*, INT'L TRADE REP., Feb. 1, 1995, at 216, available in LEXIS, News Library, Cumwv File.

25. *Id.*

26. *Singapore to Host First WTO Ministerial*, REUTER EUR. BUS. REP., Jan. 1, 1995, available in LEXIS, News Library, Cumwv File.

27. *ASEAN Group Agrees on Approach to Intellectual Property Rights Pact*, *supra* note 24.

III. OBTAINING PATENT PROTECTION IN VIETNAM

In Vietnam, the law requires that only individuals or corporations who own the right to file for protection can file for protection.²⁸ Typically, the inventor or the assignee has the right to file in the inventor's name. A violation of this rule may result in the invalidation of the patent.²⁹

For foreign individuals who do not have a residence in Vietnam and for corporations that do not have an office or a representative office in Vietnam, applications for patent protection must be made through a patent attorney registered to practice before the National Office.³⁰ This requirement may present a problem, because as of May 1994, only fifteen practicing patent attorneys have been recognized by the National Office.³¹ It is unlikely that the number of patent attorneys will increase significantly in the near future, due to the strict admission requirements set forth by the National Office. To be recognized by the National Office, a candidate must: (i) Be a citizen and resident of Vietnam; (ii) hold a degree in science, engineering or law; (iii) complete a recognized comprehensive course on intellectual property; and (iv) pass a written examination.³² Since the National Office does not regularly offer a course in intellectual property, a prospective candidate must travel to Russia, Germany, or France to study in programs that last from six to ten months.³³ Moreover, the National Office holds the entrance examination only once every two years.³⁴

A. Requirements for Patentability

After a foreign individual or corporation locates a Vietnamese patent attorney to process the application,³⁵ the applicant must decide between the two types of protection available for utility invention: an invention and an utility solution. An invention is defined as a new solution that is previously unknown in the world.³⁶ The period of protection is fifteen years from the date the application reaches the National Office, or from the date of filing overseas, if the country where the application was filed is a member of an international treaty to which Vietnam is

28. Decree on Protection of Industrial Property Rights, *supra* note 16, ch. III, § 18.

29. *Id.* ch. IV, § 28.

30. *Id.* ch. III, §§ 20-21.

31. Pham Vu Khanh Toan & Tran Huu Nam, *Patent Attorney System*, IP ASIA, May 14, 1992, at 15-17; Interview with Ms. Do Y Thanh, Director, Legal Department, Chamber of Commerce and Industry of Socialist Republic of Vietnam, in Singapore (May 5, 1994).

32. Toan & Nam, *supra* note 31, at 15-17.

33. *Id.*

34. *Id.*

35. Due to the state of flux of the business climate and due to the changing nature of the legal system, U.S. investors should contact their U.S. attorneys with regard to local representation in Vietnam.

36. The Decree on the Protection of Industrial Property Rights, *supra* note 16, ch. I, § 4(1).

also a member, or if such country offers Vietnamese citizens reciprocal rights.³⁷ In contrast, a utility solution's protection lasts for six years, computed in the same manner as patents, but a utility solution only has to be novel within Vietnam.³⁸

Although the 1989 Decree does not specify the requirements for patentability for an invention or for a utility solution, the Ordinance on Innovation promulgated in 1981 sets forth the patentability requirements for an invention,³⁹ and the Decree on Utility Solution promulgated in 1988 sets forth, in detail, the patentability requirements for a utility solution.⁴⁰ Since the 1989 Decree contains provisions that can be construed as contrary to the 1981 and 1988 Decrees, it was not certain whether the 1989 Decree superseded the earlier laws. Fortunately, the People's Supreme Court clarified the situation by holding that the lower people's courts must follow the Ordinance on Innovation and the Decree on Utility Solution when hearing cases under the 1989 Decree.⁴¹

Under the Ordinance on Innovation, an invention must be a technical solution which is new and can be applied in Vietnam's economy, or is economically and socially useful.⁴² Under the Ordinance, an invention may be a new device, process or substance, or a new use for the same. Specifically, the Ordinance includes, as protectable subject matters: (i) new plant varieties and animal breeds; and (ii) new processes for the prevention, diagnosis, and treatment of diseases in human beings, animal, or plants.⁴³

An inventor may apply for an inventor's certificate instead of an invention.⁴⁴ The State owns the inventor's certificate. Any third party may apply to the State for permission to use the subject matter of the inventor's certificate, but must pay remuneration to the inventor.⁴⁵ Also, protectable subject matter for an inventor's certificate is broader than that for an invention. Protectable subject matter further includes: (i) substances obtained by a chemical process, (ii) medicines and substances for the prevention and treatment of disease in human beings, animals and plants; and (iii) foodstuffs and animal feeds.⁴⁶

Under the Decree on Utility Solution, a utility solution must be new only in Vietnam and must be capable of being applied and manufactured in Vietnam.⁴⁷

37. *Id.* ch. I, § 3.

38. *Id.* ch. I, § 4; *id.* ch. III, § 23(2)(b).

39. Ordinance, *supra* note 13, ch. III.

40. The Decree on Utility Solution, *supra* note 21.

41. *Thông Tư Số 03/NCPL* [Circular No. 03/NCPL], July 22, 1989.

42. Ordinance, *supra* note 13, ch. II, § 10.

43. *Id.* ch. II, § 13(2).

44. *Id.* ch. II, § 14(4).

45. *Id.* annexes I & II. The Ordinance provides that the aggregate remuneration should be 50,000 Dong per invention. *Id.* annex II. The current exchange rate is more than 10,000 Dong to 1 U.S. dollar. Barry Wain, *Vietnam's Economy, While Advancing Rapidly, Holds Seed of Trouble Further Down the Line*, *ASIAN WALL ST. J. WKLY.*, Apr. 4, 1994, at 1.

46. Ordinance, *supra* note 13, ch. II, § 15(1)(d).

47. The Decree on Utility Solution, *supra* note 21, art. 2(1).

A utility solution is new if, before its filing date, the subject matter was not in use or publicly known in Vietnam.⁴⁸ Furthermore, the utility solution cannot be obvious to one skilled in the same field.⁴⁹ This Decree excludes a wide variety of subject matters from the scope of protection, such as methods for preventive medicine, methods for diagnosis and treatment, and principles of science and mathematics, among many others. Conversion from an application for invention to an application for a utility solution is also possible.⁵⁰

Industrial designs are patentable if they are new, not obvious, and not previously disclosed.⁵¹ The Decree on Industrial Design excludes from protection designs that cannot be seen when in use, designs that are purely cosmetic, and designs that are dictated by functions, among other things.⁵²

There are some bright areas in the Vietnamese patent system. First, Vietnam is a signatory to the Paris Convention.⁵³ Thus, a foreign inventor may take advantage of a previously filed application in another signatory country to the Paris Convention, as long as the Vietnamese application is filed within twelve months of the filing date of the previously filed application. Second, effective March 10, 1993, Vietnam became a member of the Patent Cooperation Treaty.⁵⁴ Thus, a foreign inventor may choose Vietnam as one of the selected countries, and postpone the application in the Vietnamese National Office until after the foreign inventor has had the opportunity to test the novelty of his invention in the international phase.⁵⁵

B. Costs of Obtaining Protection

The fees charged by local Vietnamese patent attorneys are not widely known. However, the costs for filing an application are fairly inexpensive. The filing fee for an invention is US\$100, and for a utility solution is US\$75.⁵⁶ If the application has more than five pages, each additional sheet costs US\$2.50.⁵⁷ There are also a variety of other fees that the applicant may incur during the course of the appli-

48. *Id.* art. 2(2).

49. *Id.* art. 3.

50. *Id.* art. 5.

51. The Decree on Industrial Design, *supra* note 19.

52. *Id.*

53. The Paris Convention for the Protection of Industrial Property, July 14, 1967, 21 U.S.T. 1583, 828 U.N.T.S. 305.

54. The Patent Cooperation Treaty, June 19, 1970, 28 U.S.T. 7645.

55. *Id.* Under the Patent Cooperation Treaty, in the international phase, an inventor may take advantage of an international preliminary search for other inventions or prior art that may raise questions against the patentability of his invention. *Id.* The inventor may also demand an international preliminary examination by a competent authority before the application reaches the national phase in the selected countries. *Id.*

56. WORLD INTELLECTUAL PROPERTY ORGANIZATION, 2 PCT APPLICANT'S GUIDE, at annex VN.I., at 3 (1994).

57. *Id.*

cation process.⁵⁸ Importantly, after protection is granted the law requires that annual maintenance fees be paid.⁵⁹ The maintenance fee ranges from US\$50 in the first year to US\$280 in the fifteenth year.⁶⁰ As these numbers suggest, the costs for obtaining patent protection in Vietnam are relatively minimal.

At the end of 1989, 569 applications for inventions were filed and eighty three were granted; forty-six applications for utility solutions were filed and eight were granted.⁶¹

IV. BENEFITS AND OBLIGATIONS OF THE PATENT OWNER

After deciding that protection for the technology is obtainable and the costs for gaining such protection are reasonable, business managers must decide whether the benefits are commensurable with the costs of obtaining the protection. Under the Vietnamese patent law system, patent protection brings both benefits and obligations.

A. *Benefits Conferred and Obligations Imposed Under the Law*

The 1989 Decree⁶² states that the owner of the patent has the following rights:

1. the right to use the patented invention, utility solution or industrial design exclusively;
2. the right to transfer or assign the patented invention, utility solution or industrial design;
3. the right to license all or parts of the patented invention, utility solution or industrial design; however, this right is subject to a separate Decree; and
4. the right to sue infringers.⁶³

The "use" of the patented invention includes manufacturing, using, importing, advertising, and transporting goods manufactured according to the patented invention.⁶⁴ Infringement means any act that violates the exclusive right to use, and the right to assign or license.⁶⁵

58. Other fees include the fee for claiming priority, the fee for the grant of the patent, the fee for publication, and other fees. *Id.*

59. *Id.* at 6.

60. *See id.*

61. Vecchi & Scown, *supra* note 14, at 2-9. On the other hand, the Republic of Vietnam granted 2,729 patents prior to its forced annexation. *Id.*

62. *See supra* notes 16-18 and accompanying text (discussing the 1989 Decree).

63. The Decree on Protection of Industrial Property Rights, *supra* note 16, ch. II, §§ 9-10.

64. *Id.* ch. II, § 11.

65. *Id.* ch. II, § 12.

However, the 1989 Decree excludes from infringement certain non-infringing uses. Such uses include:

1. Noneconomic and private use;
2. use and transportation of goods put on the market by the owner; and
3. use by third parties who have used the patented intellectual property prior to the effective filing date of the patented invention. The prior users may continue to use, but cannot expand or transfer, the current uses.⁶⁶

The Vietnamese government, after granting patent protection, dilutes the protection given. The level of protection is lessened by the compulsory licensing provision.⁶⁷ Under this provision, after a given period to be determined by the State Committee, if the patent owner has not used or adequately used the patented invention, utility solution, or industrial design to a level adequate to provide for the development of the economy of Vietnam,⁶⁸ then the State Commission has the power to grant a license to any requesting organization.⁶⁹ The owner has the right to compensation.⁷⁰ The amount of compensation is equal to the amount of benefits that the requester realizes.⁷¹ Further, the owner has the right to ask the courts to determine appropriate compensation.⁷²

The protection granted by the government is further eroded by the rights given to any party to challenge the validity of the protection during the life of the patent.⁷³ Thus, in Vietnam, it is legally possible for the patent to be challenged simply on the ground that its subject matter is contrary to the morality of socialism. There is a similar action in the United States called a declaratory judgment action. However, an important and crucial distinction is that in the United States a challenger can attack a patent only when the challenger is threatened by the patent owner.⁷⁴

Also, the owner has a duty to compensate the inventor.⁷⁵ The Council of Ministers will set a minimum rate of compensation if the parties cannot agree on

66. *Id.* ch. II, §§ 12, 15.

67. *Id.* ch. II, § 14.

68. The Decree does not define the standard for measuring a level adequate to provide for the development of the economy of Vietnam.

69. The Decree on Protection of Industrial Property Rights, *supra* note 16, ch. II, § 14.

70. *Id.* ch. II, § 14(2).

71. *Id.*

72. *Id.*

73. *Id.* ch. III, § 25 and ch. IV, § 28.

74. *See generally* Declaratory Judgements Act, 28 U.S.C. §§ 2201-02 (1988). However, after a U.S. patent has been issued, a third party may request the U.S. Patent Office to re-examine the issued patent. 37 C.F.R. § 1.510 (1994). Only prior patents and printed publications may be used in a Request for Reexamination. *Id.* at § 1.501 (1994).

75. The Decree on Protection of Industrial Property Rights, *supra* note 16, ch. II, § 17.

an amount.⁷⁶ In one instance, the Council of Ministers had decided that authors of utility solutions, which were invented during governmental services, have the right to receive eight percent of the benefits realized during the first two years of using the utility solutions.⁷⁷

B. Restrictions on the Right to License

The Council of Ministers promulgated a decree in 1988 placing restrictions on the ability of the owners of intellectual property rights to license.⁷⁸ This decree governs inventions, utility solutions, industrial designs, trademarks, and trade secrets.⁷⁹

A party cannot purchase licenses for the purpose of excluding others from using the intellectual property.⁸⁰ The decree further forbids: (i) unreasonable restrictions on the licensee's use of the intellectual property; (ii) unreasonable control of price charged by the licensee; (iii) prohibition against improvement of the intellectual property; (iv) restrictions on the use of the intellectual property after the expiration of the license; (v) prohibition against the licensing of other intellectual property; and (vi) prohibition against sub-licensing.⁸¹

The most troublesome restriction is the one that allows the continuing use of the intellectual property after the expiration of the license.⁸² A grant for an invention, which is the most valuable protection given by the government, has a duration of fifteen years after the filing date, but the maximum duration allowed for a licensing agreement is only seven years.⁸³ The obvious conclusion is that the licensee, after the expiration of the license, gets a free ride. However, trade secrets must be maintained and not publicly disclosed even after the agreement has expired.⁸⁴

When the licensee is a foreigner, an entirely different set of rules applies. Vietnamese individuals and corporations cannot proceed with licensing intellectual property to foreigners until the State Commission has given permission to proceed.⁸⁵ Only organizations approved by the government have the right to

76. *Id.* ch. II, § 17(2).

77. The Decree on Utility Solution, *supra* note 21, art. 12.

78. The Decree on Licensing of Intellectual Properties, *supra* note 20.

79. *Id.* Trade secrets were not mentioned in most of the Decrees and Circulars promulgated by the Council of Ministers.

80. *Id.* art. 4(2).

81. *Id.* art. 6.

82. *Id.* art. 19.

83. *Id.* art. 7.

84. *Id.* art. 19.

85. *Id.* art. 3(3).

license intellectual property to a foreigner.⁸⁶ Individuals and other organizations have to license through these approved organizations.⁸⁷

Furthermore, the parties must submit the agreement to the State Commission for approval within thirty days after the agreement is signed.⁸⁸ The licensing agreement must also be registered with the National Office. Foreigners must register their licensing agreement through a recognized representative.⁸⁹ The National Office will grant a certificate recognizing the registration, record, and publish the agreement.⁹⁰ Intentional withholding of the agreement from the approval and registration processes will subject the individual or corporation to appropriate punishment under the law, depending on the level of culpability.⁹¹ Modifications to the agreement, after it becomes effective, must be resubmitted for approval.⁹² If the parties decide to nullify the application, the National Office must also be notified.⁹³

In case of infringement, the licensor, or the exclusive licensee, has the right to sue.⁹⁴ Generally, both parties have to work together to protect the intellectual property from infringement. Both parties also must share the costs of bringing the suit, and the damages recoverable from the infringers.⁹⁵

When differences between the parties arise from the agreement, the 1989 Decree⁹⁶ dictates that the parties should resolve their differences through negotiation.⁹⁷ When negotiation fails, the foreign parties may resort to Economic Referees,⁹⁸ or resolve their differences through dispute resolution.⁹⁹

The government made clear that Vietnam fully intends to collect contributions and taxes from the proceeds of these licensing agreements.¹⁰⁰ The government collects ten percent of the value of the license if it lasts less than five years, and fifteen percent if the duration is more than five years.¹⁰¹ If one of the parties

86. *Id.* art. 10.

87. *Id.*

88. *Id.* art. 12.

89. *Id.* art. 14(2).

90. *Id.* art. 14.

91. *Id.* art. 15.

92. *Id.* art. 17(2).

93. *Id.* art. 17.

94. *Id.* art. 20.

95. *Id.*

96. See The Decree on Protection of Industrial Property Rights, *supra* note 16.

97. *Id.* art. 21.

98. There is a body of law governing Economic Referees which is beyond the scope of this paper. It should be noted that a separate arbitration system deals with matters arising out of economic contracts. The judiciary system does not hear cases dealing with commercial law. See THOMAS H. REYNOLDS, 3 FOREIGN LAW: CURRENT SOURCES OF CODES AND LEGISLATION (1989).

99. The Decree on Licensing of Intellectual Properties, *supra* note 20, art. 2.

100. *Id.* art. 23.

101. *Id.*

is a foreigner, the taxes must be paid in foreign currency.¹⁰² However, to encourage foreigners to invest the proceeds in Vietnam, foreigners are able to take advantage of the Foreign Investment Law.¹⁰³

C. The Right to Seek Remedies in the Courts

The 1989 Decree does not clearly specify the types of remedies that a patent owner may seek against an infringer. It merely states that any infringer will be punished as required by law, including criminal and administrative penalties, depending on the degree of culpability.¹⁰⁴ The People's Supreme Court clarified the types of remedies that the patent owner may seek in courts.¹⁰⁵

The Court stated that the local peoples' courts have jurisdiction only in controversies dealing with the: (i) infringement of patent rights; (ii) amount of compensation in compulsory licenses; (iii) challenges to the validity of the patent when the true author was not named, or, when the party who filed the application does not have the right to file; and (iv) disagreement regarding the author's compensation.¹⁰⁶ Importantly, if one or both of the parties are foreigners, then only the peoples' courts in Hanoi and Ho Chi Minh City (formerly Saigon) have jurisdiction.¹⁰⁷

The Court provided that the local courts may grant a temporary injunction in case of an emergency, and may attach properties to ensure that the judgment is satisfied.¹⁰⁸ The patent owner may ask for damages equal to losses suffered by the patent owner or the profits realized by the infringer.¹⁰⁹

Adverse parties may be represented by attorneys. Each party has the burden of proof vis-à-vis the relief that the party seeks. The court has the authority to collect its own evidence. Furthermore, the members of the adjudicating committee must have the necessary scientific and technological backgrounds to properly decide the case.¹¹⁰ Appeals from adverse decisions may be filed with the People's Supreme Court.¹¹¹

A discussion of the Vietnamese court system is not complete without discussing the legal profession in Vietnam. Patent attorneys are competent in representing clients before the courts.¹¹² As discussed above, there are very few

102. *Id.*

103. *Id.* art. 25. The Foreign Investment Law is also beyond the scope of this paper. *See Vietnam: Law on Foreign Investment, with Amendments and Additions, reprinted in 30 I.L.M. 930 (1991).*

104. The Decree on Licensing of Intellectual Properties, *supra* note 20, art. 31.

105. *See* Circular No. 03/NCPL, *supra* note 41.

106. *Id.* art. I(1)-(4).

107. *Id.* art. III(1).

108. *Id.* art. III(3).

109. *Id.* art. III(6).

110. *Id.* arts. III(3), III (5).

111. Circular No. 03/NCPL, *supra* note 41.

112. Toan and Nam, *supra* note 31, at 16.

patent attorneys in Vietnam at the present time. Moreover, there are only about 430 practicing attorneys for all forty provinces in the country, and most are prosecutors and public defenders in criminal cases.¹¹³ The main selective criteria for admission to the practice of law seems to be that the candidate has had no contact with the former government of the Republic of Vietnam. Lawyers are selected by the Justice Department of the City or Province.¹¹⁴ Only these lawyers are allowed to represent parties before the courts. It should also be noted that about sixty percent of the judges in Ho Chi Minh City and thirty percent of the judges in Hanoi do not have full formal legal training, because in Vietnam the practice of law is considered a political endeavor and not a profession.¹¹⁵

V. WHETHER TO DO BUSINESS IN VIETNAM WITH OR WITHOUT PATENT PROTECTION?

The question of whether to do business in Vietnam without patent protection cannot be answered by studying the law. The enforcement of patent rights is uncertain due to several factors. First, there is no body of reliable case law to serve as precedent for foreign investors to predict how the courts will interpret the Decrees and Ordinances. Second, since Vietnam is a socialist country, judicial opinions are binding only on a case-by-case basis.¹¹⁶ Third, the shortage of commercial lawyers in Vietnam poses a significant problem for the enforcement of patent rights. Fourth, the lack of legally trained judges creates at least an appearance of inconsistencies in the interpretation of the law.

In view of the uncertainties of enforcement, it may be more appropriate to obtain patent rights, in addition to licensing, entering into a joint venture, or otherwise agreeing with a Vietnamese company, or other entity who would have the responsibility to prevent and curtail infringement, or other use of the patented technology.¹¹⁷ Moreover, this arrangement could be exclusive or non-exclusive. The benefit to such an agreement would be that any dispute must be submitted to arbitration.¹¹⁸ Such arbitration could address issues such as whether the Viet-

113. Panel Discussion, *Doing Business in Vietnam*, sponsored by the Committee on Asian Affairs, at the Association of the Bar of the City of New York, in New York City, New York (Oct. 4, 1993).

114. *Id.*

115. *Id.*

116. See REYNOLDS, *supra* note 98.

117. Investment proposals must be submitted to the Vietnamese government for approval. See Foreign Investment Law, reprinted in 30 I.L.M. 930 (1991). See also *Asia Brief: Proposals Go Straight to the Top*, ASIAN W. ST. J. WKLY., Jan. 19, 1995, at 8, col. 2. The Prime Minister of Vietnam has recently ordered that major investment projects of more than 40 million U.S. dollars be directed to his office for approval, and other projects be directed to the Chairman of the State Committee for Cooperation and Investment. *Id.*

118. See generally REYNOLDS, *supra* note 98. The agreement may set forth the location of the arbitration which need not be Vietnam. *Id.* A useful jurisdiction, especially for English speaking technology providers, is Singapore. *Id.* Also, licensing is subject to the restrictions set forth in Decree No. 201-HDBT. See *supra* notes 78-103 and accompanying text.

nameless entity itself has violated the patent or has failed to enforce the patent against infringers.

In addition to the practical legal problem of enforcement, the strength of patent protection after the compulsory licensing, the restrictions on the right to license and the exceptions for non-infringing use, is patent protection useful?

The above question can be resolved only by looking at the problem from a cost-benefit standpoint. First, business managers must ascertain the costs of obtaining patent protection. These costs include the fees charged by Vietnamese patent counsel, the time of U.S. in-house patent counsel, and the relatively minor filing and maintenance fees. Next, business managers must know whether the technology sought to be protected will be used soon after the patent is granted, or else the patent may be subjected to compulsory licensing. Finally, they must consider whether the benefits gained will offset the costs incurred.

In any technology transfer, whether patented or not, the most important factor is the trustworthiness of the Vietnamese partner. It goes without saying that a technology provider should be very selective to whom the technology is disclosed and to what extent. Again, violation of the agreement could be resolved by arbitration.

Further, doing business in Vietnam requires proper representation. The shortage of commercial lawyers in Vietnam, specifically patent lawyers, is magnified by the fact that some of these lawyers do not have proper legal training.¹¹⁹ Furthermore, these lawyers may not be fluent in English, due to the fact that they received their training, legal or otherwise, in Vietnam or in a sister socialist country. The lawyer selection process can be very cumbersome, since it is not easy to research the background of Vietnamese lawyers. Alternatively, the investors may also retain U.S. lawyers who have contacts within the Vietnamese government, especially in the commercial hierarchy or in the arbitral system, or who are well versed in the Vietnamese language and most importantly in the Vietnamese customs.

In addition, business managers will have to decide whether to take the risk and enter the market without any patent protection at all. This option makes sense if the benefits gained are less than the costs incurred. However, business managers will have to compete against unscrupulous potential copiers and their cheap products. Moreover, if the copiers themselves file for patent protection, and the foreign companies are not successful in invalidating the copiers' patent in the local court system, the technology provider may find himself charged with infringement. Therefore, a Vietnamese patent has a preemptive value that should not be overlooked.

119. See *supra* notes 112-115 and accompanying text.

VI. CONCLUSION

Vietnam holds great promise for the future. Although the roads to success are not yet paved, they are navigable. Business managers must carefully balance the risks and obligations on the one hand, and the benefits on the other hand, in order to plot the course for the future.

