

Claiming damages in IPR lawsuits in Vietnam – Key takeaways

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1. Since intellectual property rights (IPRs) constitute a civil right, civil enforcement plays a critical role in IPR enforcement. However, our analysis of statistics on IPR infringement and enforcement in reports from enforcement agencies reveals that the vast majority of IPR infringement cases in Vietnam have been resolved under administrative route over the past time. While thousands of IP infringement cases are handled administratively each year, only a few cases are tried by courts. The administrative mechanism is said to be more expeditious, compact, simple, and economical in handling IPR infringements than the lengthy trial, complicated, and costly procedures of the civil mechanism. The above dispute-resolution situation in Vietnam results in a fact that civil relations and civil disputes are largely resolved under administrative proceedings, resulting in inadequate protection of IPRs and, more seriously, many violations continuing to reoccur through larger scale and more sophisticated tricks.
2. However, Vietnamese courts have heard an increasing number of cases involving copyright, patent, trademark, and industrial design infringement in recent years.

Recent IP infringement lawsuits in Vietnam

3. In more than 30 IP judgments in Vietnam that we researched, it can be seen that lawsuit claims are not just limited to preventing ongoing infringement, preventing harm to rights and legitimate interests of the plaintiff. The claim for damages is always the primary focus of the majority of intellectual property lawsuits. Notably, plaintiffs tend to petition the court for a large monetary award, ranging from several hundred million to billions of dong. The following are typical instances.

No.	Summary of the case	Plaintiff's original compensation claim	Compensation decided by the court (VND)
1	P&C.S.p.A, based in Italy (<i>the world's leading manufacturer of two-wheelers - Piaggio</i>), has filed a lawsuit against E Vietnam Joint Stock Company, based in Hung Yen province, for alleged infringement of industrial design rights.	VND700,000,000.00 (covering VND 500 million as compensatory damage and VND200 million is for attorney fees).	VND 214,797,000.00. VND (of which VND 200 million is attorney fees).
2	P&C.S.p.A, based in Italy (<i>the world's leading manufacturer of two-wheelers - Piaggio</i>), has brought a case against Detech	VND700,000,000.00 (covering VND 500 million as compensatory damage and VND200 million is for	VND 217,584,500 (of which 200 million VND is the attorney fees)

	Technology Development Support Joint Stock Company for alleged infringement of industrial design rights.	<i>attorney fees).</i>	
3	OSR GmbH Company - based in Germany (<i>the world's leading manufacturer of lighting systems</i>) sued Mr. Nguyen Duc T for registration and use of domain names and trademark infringes on the trademark rights of OSR GmbH Company.	VND700,000,000.00 (<i>then the plaintiff proactively reduced the compensation claim to VND 203,960,000.00 including VND 200,000.000 as attorney fees and VND 3,960,000.00 as compensatory damage</i>).	VND203,960,000
4	GERNAI ROAFA Company - based in Hungary (<i>the famous manufacturer of Postinor contraceptives</i>) has filed a lawsuit against Thanh Vinh Pharmaceutical Company Limited and Binh Dat Pharmaceutical and Medical Supplies Joint Stock Company.	USD94,845.19	USD46,969.68
5	Kim Dong Pharmaceutical Co., Ltd (<i>owner of the SEFTRA trademark for functional food products</i>) sued CVS Joint Stock Company for trading functional food products with the sign "XEXtra".	VND2,230,595,000.00	VND2,230,595,000.00 (<i>accepted by the first-instance court</i>). The appellate court reduced the first-instance court's damage award to VND 652,191,309.00
6	Thien An Pharmaceutical Co., Ltd (<i>owner of the mark "AIKIDO" for the products "medical gloves; medical equipment, instruments; condoms for birth control"</i>) sued P Pharmaceutical Co., Ltd. for trading in a "antipyretic sticker/plaster" product that infringes upon the protected industrial design and trademark.	VND327,000,000.00 (<i>of which VND315,000,000.00 is attorney fees</i>)	VND169,500,000.00 (<i>of which VND157,500,000.00 is attorney fees and VND12,000,000.00 is a compensatory damage</i>)
7	Bay Company, based in France, sued Company N for patent infringement related to pesticides.	VND200,000,000 (<i>after that the plaintiff reduced their compensation claim to VND 59,469,750.00</i>).	VND 59,469,750
8	Hung Phu Thanh Company sued Tran Thanh Dat Company. Hung Phu Thanh Company, the owner of Utility Solution No. 774	VND318,345,000.00 (<i>in which VND150,000,000.00 is the attorney fee and VND168,345,000.00 is the</i>	VND 56,000,000.00 (<i>compensation for damages</i>)

	protecting the solution for "profiled aluminum bars", has filed a lawsuit against Tran Thanh Dat Company for trading in "profiled aluminum bars" products allegedly infringing Utility Solution No. 774.	<i>compensation</i>).	
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Some key takeaways

4. In many if not most cases, a rights holder suing for infringement is in part motivated to sue to send a message not only to the defendant, but also to others, that he would act to enforce his registered right to stop infringing conduct. Hence, the rights holder's primary goal does not only target the defendant to prevent the latter from continuing to engage in infringing conduct. Apart from preventing infringement and harm to IP rights, another principal purpose of the rights holder when filing a lawsuit is to ask the court to force the defendant to pay a satisfactory damage. A damage is a form of civil liability aimed at forcing the party that causes damages to remedy the consequences by compensating for material and spiritual losses to the aggrieved party.
5. How are damages calculated in IP litigation in Vietnam? This question concerns the bases and methods of calculating damages provided under the laws of Vietnam.
6. The bases and methods of calculating damages caused by IPR infringement in Vietnam are specified in Article 205 of the Law on Intellectual Property and Clause 2, Section 1, Part 8 of Joint Circular No. 02/2008/TTLT-TANDTC -VKSNDTC-BVHTT&DL-BKH&CN-BTP dated 3/4/2008. Damages caused by acts of infringing intellectual property rights include: **material loss and damages** and **spiritual damages**. According to Article 205 of the IP Law, the court has two methods to determine the amount of compensation: (i) actual damages and/or (ii) statutory damages.

6.1. What is material damage?

Material damage includes (i) *property loss*, (ii) *decrease in income and profit*, (iii) *loss of business opportunity*, and (iv) *reasonable expenses for mitigating and remedying the material damage*. Thus, Vietnam IP Law provides for 4 types of loss/decrease based on which a plaintiff may petition a competent court for an award of material loss and damage.

- **Property loss:** To establish a claim for property loss, a plaintiff shall:
 - *Clearly state the in-cash value of infringed IP objects at the time of infringement and,*
 - *Clearly state bases for determination of this value.*

For instance, in a claim for compensation for a loss of property caused by a trademark infringement, it is necessary to state the mark's value at the time of the infringement and the bases for determining the mark's value.

- **Decrease in income and profit:** To determine the extent to which a plaintiff's incomes or profits have been reduced, it is necessary to determine whether they earn incomes or profits prior to the commission of infringements.

Incomes or profits include:

- *Incomes or profits earned by a plaintiff from the direct use and exploitation of IP objects.*

- *Incomes or profits earned by a plaintiff from the lease of infringed IP objects (original cinematographic works or computer programs or copies thereof).*
- *Incomes or profits earned by a plaintiff from the licensing of IP objects.*

Based on determined incomes or profits of a plaintiff, it is necessary to determine the level of decrease in his/her incomes or profits on one of the bases specified in Clause 2, Article 18 of Decree No. 105/2006/ND-CP. In detail, the income and profits are determined in either or all bases as follows:

- *Directly comparing between the levels of actual income, profits before and after the acts of infringement are committed;*
- *Comparing between the yields or volumes of products, goods or services actually consumed or supplied before and after the acts of infringement are committed;*
- *Comparing between actual sales price of the products, goods or services on the market before and after the acts of infringement are committed*

Remarks:

- ✓ If a plaintiff's income or profit amount earned after an infringement is committed is smaller than his/her income or profit amount earned before the infringement is committed, the difference between these amounts is the plaintiff's actual income or profit decrease.
- ✓ Upon determination of incomes or profits of a plaintiff, it is necessary to clearly identify objective factors which affect the increase or decrease of incomes or profits of the said plaintiff but are not related to the IPR infringements in order to ensure the correct determination of the plaintiff's actual income or profit decreases.
- ✓ Any case in which an IPR infringement is actually committed and the determination of damage shows that the plaintiff's income or profit amounts earned after the infringement is committed do not decrease compared to those earned before the infringement but are still smaller than those they should actually have earned in the absence of the infringement would also be considered a case of income or profit decrease.
- **Loss of business opportunity:** A business opportunity means a favorable circumstance or an actual possibility of directly using or exploiting, leasing, licensing or assigning intellectual property objects by intellectual property rights holders to other parties for profit.

To request a court to compel a defendant to pay a damage caused by a loss of business opportunity, a plaintiff shall provide evidence to prove a loss of business opportunity in one of the 4 below cases:

- *Actual possibility of directly using or exploiting intellectual property objects in business. More specifically, the direct use or exploitation of an IP object in business (on the market for profit) by a right holder may become possible and realistic under certain conditions.*
- *Actual possibility of leasing IP objects (original cinematographic works or computer programs or copies thereof) to other persons. More specifically, a right holder can lease an IP object to another individual or organization and has actually negotiated and agreed with that individual or organization on principal terms of a contract on lease of the object. Such a contract will be signed and performed under normal conditions if there is no infringement of a third party.*
- *Actual possibility of licensing or assigning IP objects to other persons. More specifically, a right holder receives an order after making negotiations and reaching an agreement with a partner on principal terms of a contract. Such a contract will be signed and performed if there is no infringement of a third party.*
- *Other business opportunities the loss of which is directly caused by an infringement. These include opportunities of business entities to negotiate with partners, to conduct business or enter into cooperation in investment, marketing, advertisement or trade promotion through international*

exhibitions or displays, etc., which are lost because their intellectual property objects are appropriated by others.

Remarks:

- ✓ When considering claims for compensations for loss in business opportunities, a court shall ask a plaintiff to clearly state and prove his/her lost business opportunities, which case they fall into and their in-cash value for consideration and decision.

In a case involving the unauthorized use of video lectures that was adjudicated in 2020 under appellate procedures at the People's High Court in Ho Chi Minh City, the plaintiff established the loss of business opportunity by providing documents demonstrating that a third party negotiated with the plaintiff for the purchase of 50 video lectures for 3,000,000 VND * 50 videos = 150,000,000 VND. Due to the defendant's infringement, the plaintiff was forced to halt negotiations with the partner.

However, after reviewing the plaintiff's submitted evidence, the Court of Appeal dismissed the plaintiff's claim for damages for loss of business opportunity. The court determined that the plaintiff's emails/documents did not establish that the two parties would enter into a 150-video sales contract or that this sales contract would not be performed due to infringement from the defendant.

Thus, in order to request the Court to determine the loss of a business opportunity, the plaintiff needs to provide documents/evidence clearly demonstrating that (i) that business opportunity is real, determined through specific agreements on prices for the exploitation and use of IP objects, clearly stating that the two parties will enter into an agreement and (ii) that business opportunity is lost or cannot be realized due to the infringement.

- Reasonable expenses for prevention and remedy of damage: Reasonable expenses for prevention and remedy of damage include expenses for temporary custody, maintenance, storage of infringing goods, costs of implementation of provisional urgent measures, reasonable expenses for hire of the assessment service, prevention and remedy of consequences of acts of infringement, and cost of notification and correction in the mass media relating to acts of infringement.

In the case of Vietnam Center for the Protection of Music Copyright - VCPMC for unauthorized use of 34 musical works and failure to pay royalties and remunerations, the plaintiff asked the court to compel the defendant to pay VND 10,000,000 for travel expenses and human resources used in the lawsuit. However, after consideration, the Court determined that these expenses do not qualify as reasonable expenses for prevention and remedy of damage, as required by statute, and thus dismissed the plaintiff's claim.

6.2. What is spiritual damage?

Spiritual damage is caused by infringements of moral rights of authors of literary, artistic or scientific works; performers or authors of inventions, industrial designs or layout designs; harms to authors honor or dignity, or decrease in or loss of authors credit (prestige), reputation or confidence due to misunderstanding, etc., and compensations therefor must be paid.

In a case involving the unauthorized use of video lectures that was adjudicated in 2020 under appellate procedures at the People's High Court in Ho Chi Minh City, the plaintiff petitioned the court to force the defendant to pay compensation for spiritual damage of VND15,000,000 with the argument that during the time when the defendant's infringement was discovered, the plaintiff had to spend a lot of

time and effort to find out and prevent this act. The court rejected the claim for compensation for spiritual damage from the plaintiff on the grounds that the plaintiff could not provide evidence to prove the spiritual damage based on Point 2.2, Section I, Part B of Joint Circular No. 02/2008/TTLT-TANDTC-VKSNDTC-BVH&DL-BKH&CN-BTP dated April 4, 2008 stipulates that *"Courts shall decide on compensations for spiritual damage when plaintiffs prove that infringements of intellectual property rights have caused spiritual damage to them. If plaintiffs cannot prove their spiritual damage, courts will not accept their claims"*.

7. In order to determine the amount of actual damages, a plaintiff is under obligation to prove his/her *"actual losses"* sustained due to the infringement, a causal link between the act and the damage caused, namely the damage must result from an act that constitutes the cause of the violation or infringement to the plaintiff on the following bases:
 - (i) *Total material damage calculated in an amount of money plus profit derived by the defendant as a result of the act of IPR infringement, where the reduced profit amount of the plaintiff has not yet been included in such total material damage;*
 - (ii) *The price of the licensing of an IP object on the assumption that the defendant was licensed by the plaintiff to use that object under a license contract within a scope corresponding to the act of infringement which was committed;*
 - (iii) *Other material losses calculated by the intellectual property right holder in accordance with provisions of law.*
8. While there are both specific and general regulations, establishing damage as a basis for compensation is not always straightforward. Due to the unique nature of intellectual property, there are numerous instances in which plaintiffs fail to establish damages or to fully determine the extent of actual damages. For example, if the defendant continues to refuse to provide sales invoices despite the court's request, there is no way to determine the *"profit earned by the defendant"* under the formula: *[Total turnovers of defendants are calculated on the basis of all invoices and vouchers on the sale or use by defendants of works infringing upon intellectual property rights of plaintiffs]*.
9. How can evidence of *"the profits obtained by the defendant"* be collated when the defendant is the holder thereof? The experience of a number of recent IP cases in Vietnam demonstrates that, in addition to in-depth investigation efforts, the right holder's preferred method of collecting evidence of infringement, including evidence establishing *"the profits obtained by the defendant"* to claim damages is to file a petition to handle the infringement under administrative procedures before filing a lawsuit in court. Administrative agencies such as the police and market management authorities are entitled to arrest infringing goods, immediately interrogate the infringers, and seize relevant books and accounting records if detected at the time of inspection/raid. This approach sometimes proves to be quite effective in establishing evidence of violation as the basis for asking the court in order to petition the court to compel the defendant to accept damages.
10. Statutory compensation for damage: Article 205.1 (d) of the IP Law provides that *"Where it is impossible to determine the amount of damages for material damage on the bases stipulated in sub-clause (a) and (b) of this clause, such amount of damages shall be set by the court depending on the extent of loss but must not exceed five hundred million (500,000,000) dong"*. This provision on *"statutory compensation"* is detailed under the Joint Circular: 02/2008/TTLT-TANDTC-VKSNDTC-BVHTT&DL-BKH&CN-BTP stipulating that *"The plaintiff shall prove that the determination of the level of compensation for the material damage in this case is impossible or the market for lawful goods is not enough to determine the plaintiff's damage based on the decrease in the sale turnover of the infringed goods after the infringement is committed, and request the court to apply the law-specified compensation level"*.

As a matter of practice, this statutory compensation mechanism is rarely accepted by the Court. In *M Corp. (US) vs. Company H1*, the plaintiff asked the court to force the defendant to pay a statutory damage of VND 500 million, however, this claim was rejected by the court, stating that "*The plaintiff failed to establish specific damage, and thus the request to compel the defendant to pay the amount of VND 500 million is not accepted*".

However, in two previous cases, *Y Thien Company vs. Nha Quan Company* for infringement of industrial design rights, Binh Duong Court awarded VND 400 million in damages given that the plaintiff and the court do not have adequate conditions to determine damages despite taking appropriate measures. Similarly, in *Thanh Dong Company vs. Ngoc Thanh Production Facility* for infringement of industrial property rights for the invention "automatic scrolling canvas", the Thanh Hoa province's first instance court determined that the plaintiff was entitled to VND 200 million in damages based on the plaintiff's claims. Although actual physical and spiritual losses cannot be established, the court has reason to believe that the defendant's repeated and systematic infringement of the plaintiff's IP rights has harmed the plaintiff's business income, deprived the plaintiff of business opportunities related to the transfer of the right to use inventions and industrial designs, and harmed the plaintiff's reputation and image.

In general, while it is impossible to determine the precise amount of damage, in order to determine the amount of statutory compensation, the court must determine that there was actual damage, taking the following factors into account: (i) Damages; (ii) Acts of industrial property rights infringement; and (iii) the causal relationship between the act of infringing upon industrial property rights and the damage caused. Thus, the existence of actual damage must still be considered a mandatory factor giving rise to liability, based on which, the court considers determining statutory compensation.

11. Legal fee recoverable in an IP infringement lawsuit in Vietnam: In the IP cases we reviewed, we find that most courts accept the cost that the plaintiff pays to hire a lawyer to be calculated as the material damage of the plaintiff. Typically, in *Kim Dong Pharmaceutical Co., Ltd. vs. CVS Company*, the court of first instance accepted the plaintiff's claim, ordering the defendant to pay a record amount of attorneys' fees totaling VND 630 million.
12. Expert witness/Intellectual Property Assessment in Vietnam: Intellectual Property assessment refers to the provision of expert opinions or evidence on matters relating to the enforcement of IP rights, including IPR infringement, determining the value of IP rights and determination of the damage caused by IP infringement. In Vietnam, IP assessment is typically carried out at the request of one or more IPR disputing parties or upon request of an enforcement agency (e.g. *court, inspection, market management, customs, police, and people's committees at all levels*) to assist in the process of resolving and handling IP rights infringement.

The Vietnam Intellectual Property Science Institute ("**VIPRI**") under the Ministry of Science and Technology is currently the only agency charged with providing industrial property assessment services. Upon request, VIPRI will issue a document "Assessment Conclusion" which provides comparisons, analysis and conclusions on the possibility of infringement of industrial property rights. VIPRI's Assessment Conclusion serves as evidence submitted by the plaintiff and it may be considered by the court during the proceedings. The Court is not legally bound by the VIPRI's Assessment Conclusion. As a matter of both law and practice, during court proceedings, if it deems necessary, the court may, at its discretion, collate documents and evidence through prescribed court procedures, such as soliciting expertise or seeking expert witness from another agency.

In complex IP cases, especially those involving technical elements in patent or industrial design disputes in Vietnam, VIPRI's Assessment Conclusions in recent years have effectively supported the process of considering and settling IP cases by civil measures in Vietnam.

Experience shows that most of the plaintiffs will win in IPR infringement disputes if they have previously acquired a favorable Assessment Conclusion from VIPRI. We therefore recommend that, while not statutorily required, a right holder should proactively petition VIPRI for an Assessment Conclusion in order to consolidate allegations of IPR infringement and explore a prospect of bringing a lawsuit.

13. Despite some disadvantages, including more complicated procedures and a longer trial period when compared to administrative measures, as well as the absence of a specialist IP court or specialized judge, the number of IPR cases heard by Vietnamese courts has increased in recent years. According to our observations, Vietnamese courts have satisfactorily resolved a large number of complex IP-related cases and this is considered an encouraging signal, great efforts and progress from the courts, showing that the rights holders are more confident in Vietnam's judicial system and are more aware of the value of their IP rights. Civil lawsuits are becoming an inevitable trend in the protection of IP rights in Vietnam; on the one hand, they maximize the benefits that only civil remedies can provide rights holders; on the other hand, they pave the way for improving the adjudication capacity of the Vietnamese court system, thereby increasing the effectiveness of IPR protection, particularly in the context of the amended IP law is expected to be submitted to the National Assembly of Vietnam for approval at the May 2022 session, under which a number of acts such as **unfair competition, infringement of rights to industrial designs, trade names, patent** which could previously be handled through administrative measures, will now be forced to handle through civil measures in response to the higher requirements of IPR enforcement under the CPTPP and EVFTA.