

Handling IPR infringement under criminal route in Vietnam: Key takeaways

Counterfeiting is one of the most lucrative and expansive illicit industries in the world. Counterfeiters are becoming more sophisticated in their methods and practices, as well as in their use of counterfeiting technology to produce counterfeit products that are easier to pass off as genuine products to Vietnamese consumers. In Vietnam, criminal sanctions are available for counterfeiting offenses, including those related to intellectual property rights (IPR) infringements. However, in practice, these sanctions are rarely imposed. Nevertheless, a recent criminal case involving counterfeit goods is an applaudable effort by Vietnamese enforcement authorities to impose deterrence effects in curbing IPR infringement.

Facts:

On December 26, 2022, Market Management Team No. 14 under the Hanoi Market Management Department conducted an inspection of two business establishments located in Huynh Cung village and Lai Xa Industrial Area, Hanoi. During the inspection, the Market Management Team No. 14 discovered counterfeit Apollo Silicone products, including 250 bottles of Apollo Silicone product code A500 in black and 4,164 other bottles of Apollo Silicone glue in various colors and packaging.



The inspection team found that the goods were packaged with instructions that forged the name and address of Quoc Huy Anh Joint Stock Company, which is a violation of Vietnam's intellectual property laws. The total value of the seized shipment is over 200 million VND.

Under Article 192 of the 2015 Penal Code, amended and supplemented in 2017, the case is considered a criminal offense due to the large value of infringing goods involved. On February 6, 2023, Market Management Team No. 14 transferred all inspection case files and exhibits to Hoai Duc District Police for consideration and settlement in accordance with law.

Vietnam has demonstrated its commitment to protecting innovation and creativity by joining various international IP treaties such as CPTPP, EVFTA, RCEP, and WCT in recent years. Vietnamese enforcement officials have become increasingly cognizant of the importance of IPR protection for fostering an innovative economy. Their increased involvement, coupled with the third revision of Vietnam's IP Law and strong enforcement measures, reflects their efforts to execute Vietnam's National Strategy on Intellectual Property to 2030 and enhance IPR protection.

Key takeaways:

1. Differentiating counterfeit goods crimes under Articles 192 and 226: When to apply?

Under the 2015 Penal Code, those who get involved in the production or trade of counterfeit goods may be subject to criminal sanctions under Article 192 (*Manufacturing and trading of counterfeit goods*) and Article 226 (*Infringement of industrial property rights*). With regard to the illegal use of trademark rights, it is generally agreed that:

- (i) If the use of a mark is intended to simultaneously exploit the commercial reputation of the rightful owner and deceive consumers about the quality of the goods, Article 192 will be enforced
- (ii) If the use of a mark is solely for the purpose of exploiting the commercial reputation of the rightful owner to increase business profits, without the intention of deceiving consumers about the quality of the goods, and the counterfeit product maintains its intrinsic properties, name, use, and quality

assurance in accordance with the declared quality standards, then such an act constitutes a crime of infringing industrial property rights and falls under the purview of Article 226.

2. Criminalizing IPR infringement under the 2015 Penal Code, revised in 2017: Easier?

Apart from the condition of "commercial scale" for an IPR infringement to be criminalized, the 2015 Penal Code of Vietnam has established three other conditions for Vietnamese authorities to consider IPR infringement as a criminal offense, namely, **(i) "earning an illegal profit", (ii) "causes a loss to the owner", and (iii) "value of infringing goods"**. Among these conditions, the "value of infringing goods" is the easiest to prove, as it only requires determining the value of infringing goods to meet the threshold of VND 200,000,000 (*for counterfeits of trademarks and geographical indications*), and VND 100,000,000 (*for act of copyright and related rights infringement*). By quantifying the elements that constitute an IP-related crime more specifically, it is now easier to prosecute cases of IPR infringement under criminal procedures. This will help Vietnam fulfill its commitments under new free trade agreements like CPTPP and EVNFTA, which have stringent requirements for protecting IPR and penalizing infringing activities.

3. All IPR infringements subject to criminal sanctions: All or some?

Criminal penalties are not applicable to all infringement of IPRs in Vietnam. Under the the 2015 Penal Code, only Criminal penalties are **(i) copyright & related rights infringements; (ii) counterfeit trademarked goods; and (iii) counterfeit geographical indication goods**. That being said, **industrial design and patent infringement** are **not subject** to criminal sanctions/remedies.

4. The transfer of cases to criminal procedure agencies: Why?

Administrative enforcement authorities (e.g. (i) Inspectors of Science and Technology; (ii) Inspectors of Culture, Sports and Tourism; (iii) Market Control Agencies; (iv) Economic Police; and (v) Customs authority), if finding that the case contains sign of a criminal, will forward the case to criminal procedure agencies for investigation and initiation of a criminal lawsuit (*Article 62, Law No. 15/2012/QH13 on handling of administrative violation*). In this case, the Market Management Team No. 14 considers this case to have a large value of infringing goods and shows signs of criminal offences, which may lead to prosecution under Article 192 of the 2015 Penal Code, amended and supplemented in 2017, they had to transfer all inspection case files and exhibits to Hoai Duc District Police for consideration and settlement under criminal procedure.

5. Criminal procedure for IPR enforcement in Vietnam: How?

Criminal procedure for IPR enforcement in Vietnam is detailed in our article under this link: <https://kenfoxlaw.com/criminal-procedure-for-ipr-enforcement-in-vietnam>

6. Statistics of IPR criminal cases in Vietnam in 2023: What?

According to "*Progress Report for the Third Phase (2019-2023) of the Joint Action Program for IPR Infringement Prevention in 2022 and Operational Plan for 2023*", in 2022, the economic police force in Vietnam pressed charges against 05 (five) cases involving 05 (five) defendants for their involvement in infringing industrial property rights. Specifically, all five cases were prosecuted under Article 226 of the Penal Code 2015, which was amended and supplemented in 2017.

Some typical cases:

(1) During an inspection conducted by Team 4 of the Hai Duong Provincial Market Management Department in collaboration with the Thanh Mien district police in Hai Duong province, the Gia Hung Garment and Garment Processing Household, owned by Nguyen Thi Thu (born in 1989), was found to be producing jackets with counterfeits bearing the mark "**Adidas, device**". A total of 1,713 finished coats and 800 unfinished bodices bearing the counterfeit trademark were seized during the inspection.

(2) The Hanoi Police, in collaboration with the Hanoi Market Management Department, conducted an inspection of a warehouse owned by Nguyen Van Ngoc in Phu My A village, Phu Son commune, Ba Vi district, Hanoi. The inspection resulted in the seizure of a large number of counterfeit goods from brands such as **Gucci, Chanel, LV, and Adidas**, as well as thousands of smuggled household items including induction cookers, grills, rice cookers, and electric pans. The total value of the confiscated items was estimated to be more than 600 million VND. The Investigation Police Department of Hanoi Police prosecuted the accused under Article 226 of the 2015 Penal Code.

(3) PC03 City of Hanoi Police, in collaboration with Market Management Team No. 17, conducted an inspection of Bao Chi Company's compliance with commercial business laws at its address in Dong Anh town, Dong Anh district, Hanoi, Vietnam. During the inspection, 948 boxes of NutriPlus "PEDIA Sure" nutritional food (900g) and 984 boxes of VistaGold "PEDIA SURE" nutritional food (900g) suspected to be counterfeit goods for the brand "PEDIASURE" of Abbott Company – USA, which is protected in Vietnam, were detected and seized.

7. Requiring constant and concerted efforts:

Anti-counterfeiting is an endless battle. Product counterfeiting is growing dramatically in terms of volume, sophistication, range of goods. Counterfeiting not only undermines the positive effects of IPR and branding, but it also has a detrimental impact on companies' revenue and reputation, as well as increasing the risk of liability claims for substandard imitation products. However, this only scratches the surface of the complex issue of counterfeiting, with little known about its supply side.

IPR holders cannot simply rely on governmental authorities and agencies to fight against counterfeiting. Instead, they must actively engage in anti-counterfeiting efforts on various fronts. Successful anti-counterfeiting campaigns require integral and concerted efforts and coordination between IPR holders, their agents, and enforcement authorities.

Looking for a reliable partner to help you tackle IPR infringement cases in Vietnam? Look no further than KENFOX IP & Law Office! Our skilled in-house investigation team has a proven track record of success in coordinating with Vietnamese police to uncover and address large-scale infringement. Contact us today to learn more about how we can help you solve your IPR infringement cases or disputes.

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