

An Award of Nearly VND 5 Billion for Copyright Infringement in Vietnam: What Lessons to Be Learned?

The copyright infringement case involving a substantial amount of nearly 5 billion VND (approx. USD 218,000) has garnered significant public attention and caught the interest of intellectual property rights holders. The trial took place in August 2022 at the People's Court of Binh Duong province. In this case, the defendant was ordered to compensate a substantial amount of nearly 5 billion VND. The compensation stemmed from the defendant's unauthorized installation of design software by their employees, thereby infringing upon the plaintiff's copyright ownership. The first-instance judgment ruled in favor of the plaintiff, who was the rightful owner of the copyright. This article presents key details of the case, including the arguments presented by both parties, the legal grounds applied, and some observations on the case.

Background

P. Company, a United States-based entity, is the rightful owner of the PTC1 software, which has been copyrighted in the United States on August 27, 2012, and February 6, 2015. Upon discovering that a zipper company (referred to as "**Company H**") unlawfully utilized their software, P. Company initiated a lawsuit against Company H (referred to as "**the defendant**") in the People's Court of Binh Duong province. P. Company sought damages based on compelling evidence, including:

- (i) A copyright registration certificate for the PTC1 software, validating the plaintiff's lawful copyright ownership.
- (ii) A witness document from the bailiff, acquired after inspecting the defendant's computers that contained illegally installed PTC1 software.
- (iii) The Inspection Agency's conclusion and the administrative violations decision made against the defendant.
- (iv) Contracts and sales documents demonstrating the commercial value of the PTC1 software.

These pieces of evidence were presented by P. Company to substantiate their claim for damages against Company H in the court proceedings.

The defendant countered the plaintiff's claim by raising several arguments, including:

- The defendant asserted that they did not utilize the copyrighted software for commercial purposes.
- The defendant claimed that their staff had installed the software without their knowledge, consent, or prior acceptance, and without any installation instructions from the plaintiff.
- The defendant emphasized that their primary business was manufacturing zippers, not design, implying that there was no necessity for them to use the software in their work.
- They contended that their staff merely used the software for research purposes.

After evaluating the presented documents and evidence from both parties, the Court ultimately ruled in favor of the plaintiff. In addition to imposing other civil obligations, the defendant was ordered to pay the plaintiff an amount close to 5 billion VND.

Lessons learnt

1. Copyright registration certificate: A copyright registration certificate holds significant importance as it serves as a crucial document for establishing legal ownership of a copyrighted work. In general, when the plaintiff possesses a copyright registration certificate issued by a competent authority, they are not obligated to provide further evidence to establish their copyright ownership, unless the opposing party presents evidence to challenge it.

2. Grounds for compensation: The basis for seeking compensation is established through the consideration of various factors, including "*the price for licensing the right to use an intellectual property subject matter.*" This factor is recognized as a determinant of "**actual damage**" as stipulated by the current law (*Article 205.1(b) of the IP Law*). If the right to use intellectual property subject matters has been transferred to a third party within Vietnam, the rights holder has the option to present relevant documents pertaining to such transfer as evidence. By doing so, they can request the Court to compel the infringing party to pay damages corresponding to the transfer price.

Article 205 of the IP Law incorporates principles aimed at ensuring fairness, providing rights holders with a solid foundation to substantiate their claims for damages. Notably, besides the transfer price of the right to use

an IP subject matter, the rights holder is entitled to request the Court to compel the defendant to pay compensation based on various factors, which include: "*Physical damages in monetary terms plus profits collected by the defendant*" under Article 205.1(a); "*The amount of damages to be fixed by the Court, depending on the extent of the damage, but not exceeding five hundred million dong*" under Article 205.1(d). and "*Physical damages which may be determined by other means by the right holder in accordance with the law*" under Article 205.1(c).

These principles empower the rights holder to seek damages through different avenues as specified by the law. In-depth analysis of the principles governing damage determination can be found in our article titled "[Claiming damages in IPR lawsuits in Vietnam – Key takeaways](#)"

3. Proof of Infringement: Establishing proof of infringement is a vital step in demonstrating the violation of intellectual property rights and serves as the foundation for seeking damages through a court order. Recent IP cases have highlighted an effective strategy employed by right holders to gather evidence of infringement and establish grounds for claiming damages. In addition to conducting thorough investigations, a recommended approach involves initiating a petition for administrative measures to address the infringement before filing a lawsuit in court.

By resorting to administrative agencies such as the Police and Market Management Bureau, rights holders can take advantage of their respective capacities to seize infringing goods and relevant accounting documents. Additionally, if an infringement is detected during inspections or examinations, these agencies can promptly interrogate the infringers. This approach has proven to be highly effective in obtaining evidence that forms the basis for requesting the court to compel the defendant to pay damages.

By combining diligent investigation efforts with the utilization of administrative measures, rights holders can strengthen their case by amassing compelling evidence of infringement, ultimately bolstering their claim for damages in court.

In this particular case, the plaintiff took the initiative to submit a petition to the administrative enforcement authorities, urging them to initiate an investigation and document the infringement, draw conclusive findings regarding the violation, and impose appropriate sanctions on the infringer. Subsequently, all the acquired documents served as indisputable evidence for the plaintiff, providing a solid basis for initiating a lawsuit against the defendant and seeking damages.

4. Liability for damages: A Company bears the liability to compensate the copyright owner if its employees, using the company's resources, engage in unauthorized copying of protected software. The argument that the employee, acting independently and for personal purposes, is solely at fault and not the Company itself, cannot serve as a valid defense against the Company's copyright infringement.

5. Mediation: Legal disputes, including disputes over IP rights can be resolved through negotiation and mediation. In civil proceedings, the defendant can take advantage of the in-court or out-of-court dialogue sessions to strengthen their arguments in order to achieve a favorable mediation outcome rather than passively awaiting a judgment that may entail greater damages.

Acts of infringement, including those related to intellectual property rights (IPR), can occur both intentionally and unintentionally. However, the defendant in this case is not entirely at a disadvantage due to several factors that favor their position. These factors include: **(i)** The defendant is not a design company and therefore does not require the software for design purposes; **(ii)** The defendant acquired the mold from a foreign country, as evidenced by the sale contract with a third party, indicating that they did not independently create the design; **(iii)** The defendant's staff admitted to installing the software for personal research purposes and not for the company's production; **(iv)** Determining the duration of software usage is crucial for establishing fair royalty rates and **(v)** Analyzing the nature of the infringed work, whether it involved the entire infringing software or only a portion of it.

From the onset of the case, the defendant has the right to explain, refute, or appeal the allegations of infringement. This can be done from the moment the Inspectorate conducts an investigation at the defendant's premises to challenge the enforcement agency's assessment of copyright infringement.

Experienced IP lawyers will analyze and utilize the aforementioned circumstances to contest the validity of the claims in the lawsuit or minimize the damages sought by the plaintiff.

6. Exemption from copyright infringement: Article 25 of the IP Law stipulates that individuals are allowed to make self-reproductions of copyrighted works for the purpose of scientific research without obtaining

permission or paying royalties and remuneration to the right holder. Accordingly, if the defendant's staff can demonstrate that they installed the software solely for personal use and not for work-related activities, the elements necessary to establish copyright infringement would not be fully satisfied. Consequently, there would be no grounds to conclude that Company H infringed upon the copyright in the aforementioned case.

Final Thoughts

The compensation of nearly VND 5 billion in this copyright dispute is arguably the highest ever recorded in Vietnam. Figuratively speaking, this can be considered a "talking" number on which various lesson can be drawn. Firstly, the substantial amount highlights the strong deterrent effect it can have against copyright and intellectual property rights infringements. It sends a clear message to potential infringers that disregarding IP rights for personal gain comes with severe consequences. Once an infringement is established, the infringer must bear the full weight of the repercussions caused.

Furthermore, the Court's judgment, featuring an unprecedented compensation amount, can serve as a notable precedent for enforcement agencies to actively address IP infringements in similar cases. This contributes to enhancing Vietnam's reputation, image, and commitment in the realm of IP rights enforcement. It aids in fostering respect and compliance with the legal system and IP rights in particular, instilling confidence in the protection mechanisms within Vietnam. Ultimately, this helps attract and promote investment in the country, bolstering the overall IP rights landscape and signaling Vietnam's dedication to fostering a conducive environment for innovation and creativity.

In recent years, as social interactions in international trade have grown and diversified, there has been a notable increase in disputes related to intellectual property rights. Many right holders opt to address copyright disputes, a type of civil dispute concerning IP rights, through the civil procedures available in court. This approach is considered an effective method of protecting IP rights. However, due to the complex nature of such cases and the lengthy civil proceedings involved, parties involved in these disputes often seek the guidance of an IP lawyer. An IP lawyer possesses specialized knowledge in the field of intellectual property and can provide professional analysis and assessment, as well as assist in preparing relevant evidence and arguments. This ensures that the parties have a strategic advantage before the case and can avoid potentially serious legal consequences.

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