

Law vs. Reality: The Hurdles of Pursuing Damages in Vietnamese Copyright Infringement Cases

The transfer price of intellectual property (IP) rights is one of the legal bases specified in Article 205.1(b) of the Vietnam IP Law to determine compensation claims in IP disputes. However, in a recent notable IP infringement case, both levels of court - first instance and appellate court - simultaneously rejected a claim for compensation based on the "transfer price" of IP rights. The case not only sparked endless debates about the complexity of the legal process, but also highlighted a significant challenge in determining the basis and method for Courts to assess and award compensation in IP disputes.

Why is the process of claiming compensation for damages from IP rights infringement so difficult? To clarify this question, we review a few features of the dispute and, on that basis, draw valuable lessons, helping rights holders better understand the mechanisms and practices related to compensation in IP rights infringement cases in Vietnam.

Background

The infringer is a Ho Chi Minh City-based educational equipment provider, who was found using an unauthorized specialized computer program from a U.S.-based software company. Following an inspection by the Ministry of Culture, Sports, and Tourism's Inspectorate, the Vietnamese company was sanctioned with an administrative fine of VND 30 million (approximately USD 1,300). The infringing program was removed in compliance with the sanction.

However, the case did not stop there. Subsequently, the U.S. software company initiated a civil case at the People's Court of Ho Chi Minh City, seeking compensation exceeding USD 500,000, an amount equivalent to the value of the unlawfully copied full-module computer program. This software had been legitimately distributed in Vietnam by resellers at the same price. Additionally, the plaintiff not only sought monetary compensation; they also requested a public apology and VND 300 million (approximately USD 13,000) to cover legal expenses

Both the first instance and appellate courts affirmed that the plaintiff's intellectual property rights had been infringed, but rejected the claim for damages, citing the plaintiff's failure to prove specific losses such as property loss, reduced income, profit, or business opportunities, as required by Article 204.1(a) of the Law on Intellectual Property.

Key takeaways

The Transfer Price of IPRs – A Base For Claiming Damage Compensation in IPR Infringement Cases

Article 205 of the IP Law of Vietnam provides avenues for IPR holders to claim damages, encompassing material damages (*based on financial losses, infringer's profits, transfer price, or other material losses*), spiritual damages, and legal costs. Notably, as per Article 205.1(b) of the Vietnamese IP Law which recognize "the transfer price of IPRs" as a statutory mechanism to claim damages. In detail, if the plaintiff can prove that the right to use IP subject matters has been transferred to a third party within Vietnam, they can provide the court with relevant documents such as the licensing agreement, invoices, and correspondence confirming the transfer of the IPR to a third party (licensee). These documents serve as evidence that the right to use the IP subject matter was indeed transferred to a third party in Vietnam. By presenting this concrete proof, an IPR holder in Vietnam can claim damages based on "the transfer price of IPRs". The court, relying on the statutory provision, can compel a defendant to compensate the IPR holder an amount equivalent to the established transfer price of the IPR.

This legal safeguard provides a clear mechanism for IPR holders, ensuring they can protect their rights and seek due compensation. However, the recent dismissal of a compensation claim by both the first-instance and appellate courts, despite the clear provisions of Article 205.1(b), reveals challenges within the judicial system. The case's escalation to the Supreme Court underscores the complexities involved, emphasizing the need for consistent interpretation and application of the law.

This situation illuminates the necessity for IPR holders to be meticulous in their documentation and legal strategies. It highlights the importance of legal expertise, as even clear statutory provisions can face varying interpretations. Additionally, it emphasizes the significance of perseverance, as appealing unjust rulings becomes essential in upholding intellectual property rights effectively.

Court interpretation of legal regulations and challenges

In the above-mentioned case, the court rejected the plaintiff's damage claim based on "the transfer price of IPRs". Specifically, the courts declined to acknowledge the plaintiff's argument that damages could be computed considering lost business opportunities, specifically the potential sale of the computer program to the defendant at a rate comparable to what other customers in the same market had previously paid.

It is highly likely that the judge followed a long-established principle for a plaintiff to claim damage. In cases of intellectual property rights (IPR) infringement in Vietnam, a plaintiff must substantiate the actual and direct harm caused by the infringer. This means providing the court with concrete evidence demonstrating tangible losses, such as property damage, income reduction, profit decline, missed business opportunities, or justifiable expenses incurred for damage prevention and remedy. The evidence presented must be unequivocal and legitimate, establishing a clear causal connection between the infringement and the incurred damages.

Although "the transfer price of IPRs" outlined in Article 205.1(b) provides a clear method for IPR holders to claim damages, the court's rejection is perplex and raises substantial concerns among IPR holders pursuing compensation in infringement cases in Vietnam.

This situation elucidates the challenge: plaintiffs must establish a clear, direct link between the infringement and incurred damages if they wish to successfully substantiate their claims of damage.

For IPR holders in Vietnam, this case serves as a crucial reminder. Relying solely on theoretical possibilities, such as lost business prospects, might not suffice in the absence of concrete evidence. It emphasizes the imperative for meticulous documentation, legal precision, and expert counsel. Understanding the legal landscape and the necessity for unwavering proof can significantly bolster IPR holders' ability to seek compensation effectively, even within the complexities of the Vietnamese legal system.

Contrasting Court Rulings

In another noteworthy IPR infringement case, a U.S. company pursued a copyright infringement lawsuit in Vietnam. Interestingly, the court in this instance accepted evidence related to "the transfer price of intellectual property rights (IPRs)" as a valid basis, recognizing it as a material loss incurred by the intellectual property rights (IPR) holder. Consequently, the court awarded substantial compensation amounting to nearly VND 5 Billion to the IPR holder, addressing the copyright infringement that transpired within Vietnam. This case highlights a striking contrast in judicial decisions within the Vietnamese legal landscape. While some courts recognize and uphold the significance of "the transfer price of IPRs" as a legitimate criterion for assessing damages, as evidenced by the substantial compensation awarded in this case, others, as mentioned in the above case, have rejected similar claims, causing confusion and concern among IPR holders. This divergence in rulings underscores the need for greater consistency and clarity in the interpretation and application of intellectual property laws to ensure fair treatment for all parties involved.

For more details, see our article titled ["An Award of Nearly VND 5 Billion for Copyright Infringement in Vietnam: What Lessons to Be Learned?"](#)

Final thoughts

The above compensation lawsuit is clearly not just a battle over money, but more importantly, it is a struggle to clarify a legally established compensation mechanism. Interpretations and applications of compensation mechanisms, particularly those based on the "transfer price of rights to use intellectual property objects" can differ across Vietnamese courts, leading to varied outcomes in similar cases. The rulings in both first instance and appellate courts of Vietnam reflect a stringent and somewhat conservative approach/stance taken by judges when requiring substantial proof of specific losses rather than theoretical or potential business opportunities, making it challenging to establish damages without clear financial evidence such as loss of property or decreased income.

A limited understanding of IP law and compensation mechanisms can lead to inappropriate judgments, especially given the increasing complexity of IP disputes and infringements. Therefore, successfully claiming compensation in intellectual property disputes is challenging, influenced by various factors such as the quality and completeness of the evidence presented before the court, the legal arguments submitted by the involved parties, and the judges' understanding and expertise in IP law. These factors contribute to different interpretations of the law by judges, resulting in the unpredictability of lawsuit outcomes.

In a landscape marked by the increasing complexity and dynamic nature of IP disputes, IP attorneys with deep expertise are vital for protecting business IP rights. Over its 14 years of operation, KENFOX has supported both domestic and international companies in successfully handling numerous complex IP rights infringements and disputes in Vietnam. A notable achievement in 2023 was KENFOX's victory in an IP rights lawsuit for a major Vietnamese pharmaceutical company. For more insights, refer to our article, "[Trademarks and trade names: What lessons can be learned from the recent pharmaceutical trademark lawsuit in Vietnam?](#)". This noteworthy success underscores KENFOX's team's professionalism and profound grasp of IP law, further solidifying our reputation and capability in tackling complex legal challenges

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