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Contents

Trademark.....	2
Some Attentions Upon Trademark Licensing in Vietnam	2
Other Sectors.....	4
Finance	4
Taxation	4
Trading	5
Labor	5
SOE's reform	5
Construction.....	5
Post & Telecommunication.....	6
Industry	6
Fishery.....	6
Customs	6
Miscellaneous	6
Contact Details.....	8

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Trademark

Some Attentions Upon Trademark Licensing in Vietnam

By Vu Thi Hong Yen

Intellectual property rights (IPRs) over a registered trademark confers its holder the exclusive rights to use such trademark. The term “exclusive” implies that the holder of an IPRs occupies a monopoly right over the protected trademark in the market and prohibits any third parties from using its trademark. The holder of IPRs can exercise the rights or authorize other persons/organizations, through a trademark license agreement, to use the trademark for a certain compensation in return.

Licensing is indeed an useful and most popular way to commercialize intellectual property rights. This is also the major means whereby local businesses can locally use trademarks owned by offshore companies through licensing agreements.

In the last few years, it is witnessed a steady increase in the number of trademark license agreements, which are mostly concluded between Vietnamese businesses and foreign companies who own registered trademarks in Vietnam. Up to now, thanks to this licensing regime, consumers residing in Vietnam can easily buy products ranging from drink to electronic marked Coca-cola, Heineken, Suzuki, Sony, etc. which are locally made.

It is undeniable that such licensing agreements are playing the role of an active factor in the economic development of Vietnam.

Regarding the legal framework, like other countries, Vietnam has its own system of provisions regulating the licensing activities. These provisions are regarded by international observers as relatively comply with worldwide common practice in the field. Vietnamese provisions regulating trademark licensing are incorporated in several regulations on licensing of industrial property rights, including Civil Code, Governmental Decree No. 63/CP dated, October 24, 1996 and its amendment in 2001 (“the Decree 63”).

The following paragraphs would introduce some significant points in Vietnamese regulations about trademark licensing, of which licensors and licensees should be aware of in the process of licensing trademarks in Vietnam.

Recordal of trademark license agreement

Regarding the form of contract, under Decree 63, the transfer of the right to use industrial property objects must be made in a written contract. Regarding the procedures, the licensing contract/ agreement shall become legally effective only after its recordal with the National Office of Intellectual Property of Vietnam (“the NOIP”).

The recordal of trademark license agreement is, in fact, simply a way to inform the competent authority, i.e the NOIP about the registered user of a particular registered trademark. The use of the registered user of a trademark (the licensee) is deemed to be

used by trademark owner for all trademark protection purposes. This means more particularly that the trademark cannot be cancelled on the ground of non-use.

Price of license

Price of license is essential in any trademark license agreement and probably the most important concern to both licensors and licensees.

Commonly, price of license can be under either lump sum or royalty (or a combination of both). Lump-sum payment is a pre-calculated amount to be paid once or in instalments. Royalties is post-calculated, the amount of which is determined as a function of economic use or result (production units, service units, sales of the product, profits). In fact, royalties are usually determined on a percentage basis of net selling price of products bearing licensed trademark.

Previously, under Decree No. 45/1998/ND-CP dated July 1, 1998 of the Government on technology transfer ("the Decree 45") and Circular No. 3055-TT/SHCN dated December 31, 1996, of the Ministry of Science, Technology and Environment, providing guidelines on certain provisions of the Decree 63, it was required that if the price of license took the form of royalty, it must not exceed 5% of net sales price of goods/services bearing licensed trademark. Such requirement has been subject to debates as it may be contrary with the principle of free negotiation of the parties in a license agreement. Trademark license agreements determining a higher level of royalty than the limit may be refused to be registered. And the legal consequence of this is that the agreement is not effective under the laws.

Since the issuance of Decree No. 11/2005/ND-CP dated February 2, 2005 of the Government on technology transfer replacing the previous Decree 45, such limit on the price of license is henceforth abolished. The newly issued Decree is therefore, greatly appreciated by businesses as it reveals Vietnamese Government's determination to improve its investment environment and to attract more flows of advanced technology transfer, world widely well-known trademarks into Vietnam.

Prohibited provisions

Like other countries do, Vietnam prohibits parties to trademark license agreements to conclude certain provisions, which might unreasonably impose a restriction on the right of the licensee, especially provisions which are not derived from the rights of the licensor.

These prohibited provisions are: (i) directly or indirectly restricting the exportation of products bearing licensed trademark to the territories where the licensor is not the owner of corresponding industrial property object; (ii) obliging the licensee to purchase the whole or part of the materials, components or equipment of the licensor, etc. except the case where the purchase is aimed at ensuring the quality of products manufactured under the license; (iii) forbidding the licensee to appeal against the validity of the industrial property right or the licensor's right to grant license.

The Vietnamese provisions regulating licensing of industrial property rights have been gradually improved to comply with international common practice. This is also with an aim to greatly encourage the commercialization of intellectual property rights.

Other Sectors

Finance

- On April 14, 2005, the Ministry of Finance issued Circular 29/2005/TT-BTC, guiding the Regulation on disclosure of State enterprises' finance.
- Decision 23/2005/QD-BTC, dated April 15, 2005, of the Ministry of Finance, on amendment of and supplementation to the system of State budget index.
- On April 18, 2005, the Ministry of Finance and the Ministry of Natural Resources and Environment jointly issued Interministerial Circular 30/2005/TTLT-BTC-BTNMT, on the rotation of document of land users for the purpose of execution of financial obligations.
- Decision 24/2005/QD-BTC, on April 18, 2005, of the Ministry of Finance, promulgating 3 criteria for price assessment in Vietnam.
- Government's Decree 54/2005/ND-CP, dated April 19, 2005, on the regime of compensation for severance, for training expenses in respect of cadre, State officers.
- Circular 31/2005/TT-BTC, dated April 20, 2005, of the Ministry of Finance, on the amendment of and supplementation to Circular 32/2004/TT-BTC, dated April 12, 2005, of the Ministry of Finance, guiding the issuance of Government's bond through the State treasury system.
- Circular 32/2005/TT-BTC, dated April 26, 2005, the Ministry of Finance, guiding the financial management on non-refundable aid from overseas to associations.
- On May 12, 2005, the Ministry of Finance issued Circular 34/2005/TT-BTC, guiding the assessment of starting price and State property transference for auction.
- The Ministry of Finance issued Circular 35/2005/TT-BTC, guiding the management on price of several aviation services, that is not included in the list of fees and charges.

On May 13, 2005, the Ministry of Finance issued the following Decisions:

- Decision 26/2005/QD-BTC, promulgating financial regulation on the management and use of labor export supporting fund.
- Decision 27/2005/QD-BTC, regulating the collection, payment, management and using of assessment fee of mineral reserves.
- Decision 28/2005/QD-BTC, promulgating collective fee level of granting license and management of domain name, Internet address in Vietnam.

Taxation

- Decision 107/2005/QD-TTg, dated May 16, 2005, of the Prime Minister, on the pilot implementation of contracting of positions and operational expenditure of the General Department of Taxation for the period of 2005-2007.

Trading

- On April 15, 2005, the Ministry of Trade issued Decision 0962/2005/QD-BTM, on the approval of the Program on key commerce promotion of the nation in 2005.

Labor

- Circular 16/2005/TT-BLDTBXH, dated April 19, 2005, of the Ministry of Labor, War Invalids and Social Affairs, guiding the implementation of a number of articles of labor policy, under Decree 170/2004/ND-CP, dated September 22, 2004 and Decree 200/2004/ND-CP, on the re-arrangement, reform and development of State-run farm.

SOE's reform

- On May 05, 2005, the Prime Minister issued Decision 94/2005/QD-TTg, on the approval of the plan of State owned company's reform, under to People's Committee of Hanoi.
- On May 12, 2005, the Prime Minister issued Decision 102/2005/QD-TTg, on the approval of the plan of SOE's reform, under the Ministry of Construction in 2005-2006.

Construction

- Decision 10/2005/QD-BXD, dated April 15, 2005, the Ministry of Construction, promulgating the management expenditure norm of construction investment project.
- On the same day, the Ministry of Construction issued Decision 11/2005/QD-BXD, promulgating the expenditure norm for setting up project and construction design.
- On April 18, 2005, the Ministry of Construction issued Decision 12/2005/QD-BXD, on the Regulation on granting certificate of supervisor practice in the field of construction.
- Decision 15/2005/QD-BXD, dated April 25, 2005, of the Ministry of Construction, on the Regulation on granting certificate of architecture practice.
- The Ministry of Construction issued Circular 08/2005/TT-BXD, on May 06, 2005, guiding the setting up, assessment, approval of construction investment project and dealing with the transition of the implementation of Government's Decree 16/2005/ND-CP, dated February 07, 2005.
- On the same day, the Ministry of Construction issued Circular 09/2005/TT-BXD, guiding the construction permit, as regulated under Decree 16/2005/ND-CP, dated February 07, 2005.

Post & Telecommunications

- Circular 01/2005/TT-BBCVT, dated May 06, 2005, the Ministry of Post & Telecommunication, providing guidelines for granting business license in the field of mail delivery service and registration of mail delivery agent for foreign express companies.

Industry

- The Ministry of Industry issued Decision 22/2005/QD-BCN, on April 26, 2005, on the approval of development project of Vietnam Milk Industry to 2010 and orientation to 2020.
- On May 16, 2005, the Government issued Decree 64/2005/ND-CP, dealing with administrative violations in the field of management of industrial detonating materials.

Fishery

- Government's Decree 59/2005/ND-CP, dated May 04, 2005, on the conditions for manufacturing and doing business in the field of fishery.

Customs

- The Prime Minister issued Decision 109/2005/QD-TTg, on May 16, 2005, on the pilot implementation of contracting of positions and operational expenditure of the General Department of Customs for the period of 2005-2007.

Miscellaneous

- Interministerial Circular 14/2005/TTLT-BGD&DT-BKHDT, dated April 14, 2005, of the Ministry of Education and Training, the Ministry of Planning and Investment, guiding the implementation of a number of articles of Decree 06/2000/ND-CP, dated March 06, 2000, on the investment cooperation with foreigners in the field of health, education and training, scientific research.
- Decision 80/2005/QD-TTg, dated April 18, 2005, the Prime Minister, on issuing the Regulation on public investment supervision.
- On April 19, 2005, the Government issued Decree 53/2005/ND-CP, guiding the implementation of the Law on claim, denouncement and the Law on amendment of and supplementation to a number of articles of the Law on claim, denouncement.
- On April 25, 2005, the Government issued Decree 55/2005/ND-CP, regulating the function, tasks, rights and organizational structure of Government's inspector.
- Government's Decree 57/2005/ND-CP, dated April 27, 2005, dealing with administrative violation in the field of plant variety.

- The Council of Judge of the People's Supreme Court issued Resolution 03/2005/NQ-HDTP, on April 28, 2005, guiding the implementation of a number of regulations of the Law on bankruptcy.
- The Ministry of Justice issued Circular 03/2005/TT-BTP, on May 04, 2005, guiding several regulations of Government's Decree 05/2005/ND-CP, dated January 18, 2005, on auction of assets.

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