

# Benefits of an FTA in South-East Asia from SMEs' perspective: experience from Vietnam

### FTA - An increasingly hot topic in South-East Asia

### Brief overview of the advantages of FTA

In recent decades Free Trade Agreements (FTAs) have become more and more prolific in South-East Asia as nations strive to boost the volume of trade. FTAs are considered to be beneficial, as they; enhance trading opportunities, increase exports, create stronger ties between trading partners, offer new opportunities for foreign investment and wider economic integration by lowering trade barriers and harmonizing legal and regulatory systems through the application of international standards.

#### On-going FTA negotiations in South-East Asia

The instrument of FTAs is widely used by various governments. Currently, there is a great number of FTAs (almost 40 according to World Trade Organization (WTO)) already in the implementation phase in the South-East Asia region and many more in the negotiation phase. Vietnam, for example, is included in the implementation of at least 12 FTAs and has recently initialled 4 more FTAs, including the EU-Vietnam FTA (EVFTA). The European Union (EU) has worked towards establishing FTAs with a number of South-East Asian countries in order to boost trade in a more predictable environment for trade and investment relations. Following the conclusion of the EU-Singapore FTA in 2014, negotiations with Vietnam were completed in December 2015 – the same month in which negotiations for an FTA with the Philippines were launched. The EU also remains committed to resuming negotiations with Malaysia and Thailand when conditions are right. It has also concluded the scoping exercise with Indonesia and is working towards the opening of FTA negotiations. This article will take a closer look at the changes that the EVFTA will implement in relation to IPR and what this may mean for European SMEs.

#### **EVFTA - What changes in IPR field?**

The aim of the EVFTA in relation to IPR is to complement and further specify the rights and obligations between parties under the TRIPS Agreement and other international treaties as well as to ensure their adequate and effective implementation. In practice, the aim of the EVFTA is to bring the Vietnamese IP regulatory system closer to international standards of IP regulatory systems (including EU standards), so that both parties can benefit from a more standardized system.

#### Beneficial changes of EVFTA in IPR field for the SMEs

EVFTA foresees major IP commitments for Vietnam. Even though Vietnam is currently committed to complying with the majority of international standards – as a member of the WTO, Vietnam had to upgrade its legal system to comply with the Trade-Related Aspects of Intellectual Property Rights (TRIPS); Vietnam has now acceded to the Paris Convention, the Madrid Agreement and the Berne Convention – there have been important changes introduced by the EVFTA says Valentina Salmoiraghi, IP Business Advisor of the South-East Asia IPR SME Helpdesk.

<u>In the area of copyright</u>, Vietnam is expected to comply with the rights and obligations set out in the Berne Convention for the Protection of Literary and Artistic Works; the Rome Convention for the



Protection of Performers, Producers of Phonograms and Broadcasting Organizations and the TRIPs Agreement and to accede the WIPO Copyright Treaty, a special agreement under the Berne Convention for the protection of works and rights of authors in the digital environment. More specifically, the treaty regulates new copyright subjects like computer programs and compilations of data (databases), and grants further economic rights that correspond to the needs of the digital environment. For example, the WIPO Copyright Treaty grants the authors the right of communication to the public, which in this context means the communication to the public, by wire or wireless means, including "the making available to the public of works in a way that the members of the public may access the work from a place and at a time individually chosen by them" Acceding to WIPO Copyrights Treaty will thus bring Vietnamese copyright law closer in line to the provisions of the European Union - good news for European SMEs in the creative industry, as their copyrights will be regulated and strengthened in Vietnam's digital environment.

Another important treaty, Vietnam is bound to accede to under the EVFTA will be the WIPO Performances and Phonograms Treaty which will grant economic and moral rights to both performers and producers of phonograms. It would also grant rights to performers, who are not investors, to make their works available to the public, also taking into account the opportunities available through digital means. This treaty shall bring the Vietnamese IP regulation closer to the European regulatory system in this field.

#### Trade marks and Geographic Indications (GI)

In the domain of trade marks and GIs, the EVFTA will introduce some important and beneficial changes for European SMEs to help simplify and develop trade mark registration procedures. EVFTA will grant trade mark revocation on the grounds of genuine use. Currently, the Vietnamese trade mark law provides for revocation of trade mark, if it has not been used after 5 years from registration. The genuine use clause can be helpful in dealing with 'bad-faith' registrations and in cases of trade mark 'hijacking' which foreign companies have been reported to have suffered from in the past, because of Vietnam's 'first-to-file system'. The most desirable outcome would be that, in the case that one has managed to register the trade mark of a European SME in Vietnam before the SME could register it, the entity or individual shall prove that the trade mark is actually being 'genuinely' used for a continuous period of 5 years from its registration. It will not be sufficient to just produce a proof of few transactions in order to keep the rights to the trade mark.

According to the current text of the EVFTA, "genuine use implies real use for the purpose of trading, such as actual sales during the relevant period of time, use in advertising, while mere preparatory steps are not to be regarded as genuine use of a mark. Genuine use is opposed to token or artificial use designed solely to maintain the trade mark on the register" continues Valentina Salmoiraghi.

EVFTA will also strengthen the protection of Geographical Indications (GIs). A geographical indication is a name or a sign used on goods that have a specific geographical origin and possess qualities, a reputation or characteristics that are attributable to that place of origin. Examples of GIs include 'Champagne', 'Parmigiano Reggiano' cheese, and 'Tiroler Speck' to name a few. Under the EVFTA Vietnam will protect 169 listed GIs of the EU and the EU will protect 39 GIs of Vietnam.

<sup>&</sup>lt;sup>1</sup> Article 8, WIPO Copyright Treaty



#### **Industrial Design**

Protection of industrial designs is granted in Vietnam by registration which confers an exclusive right for a maximum of 15 years. Industrial design constitutes a specific appearance of a product, embodied by three-dimensional configurations, lines, colours, or a combination of these elements. Vietnamese law states that an industrial design must be new, creative and industrially applicable in order to be granted an industrial design patent. Under the EVFTA the industrial design shall also be eligible for protection under the law of copyright of that party, as from the date on which the design was created or alternatively fixed in any form. In practice, this would add additional protection for European SMEs in this field. Under the EVFTA component parts of a product shall also be protected by the industrial design. This makes it easier for the European SMEs to protect their design.

#### Patents

In the area of patents, there will be some good news for the European SMEs working in the pharmaceutical industry. The pharmaceutical products are normally subject to an administrative authorisation procedure before being put on the market, which could take up to a few years. The EVFTA shall "provide for an adequate and effective mechanism to compensate the pharmaceutical patent owner for the reduction in the effective patent life resulting from unreasonable delays in the granting of first marketing authorization" in Vietnam. The maximum duration for the extension will be 2 years.

The EVFTA will also grant the automatic protection of undisclosed data that is handled during the process of obtaining a patent. Currently, any data that the company wishes to protect under Vietnamese law should be handled as a trade secret and the protection of it should be requested.

#### Enforcement

The aim of the EVFTA also includes strengthening IP enforcement. "General enforcement provisions are included in the Agreement in relation to civil and border enforcement, improving complementary measures, procedures and remedies necessary to ensure the enforcement of intellectual property rights. Enforcement still presents some challenges for both foreign and domestic companies in Vietnam" says Valentina Salmoiraghi.

There is good news for the European SMEs engaged in literary and artistic work or in any other industry that relies on copyrights. The EVFTA would grant the owners of copyrights a 'presumption of ownership'. As a result, if a copyright owner finds out that his or her rights are being infringed, they shall be entitled to start infringement proceedings. They will be presumed to be the owners of the rights if their name appears on their work. Currently, the copyrights owner needs to prove ownership to start infringement proceedings. This generally refers to copyright registration in Vietnam.

The EVFTA also strengthens IP enforcement by instructing the courts to give out injunctions aimed at prohibiting the continuation of the infringement against a party whose services are being used by the infringer. This should allow the SMEs to stop the infringers faster and minimize damages, and therefore make the enforcement more effective.

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<sup>&</sup>lt;sup>2</sup> Article 8.3, Intellectual Property, EU- Vietnam Free Trade agreement



European SMEs will also benefit from the Active Involvement of Customs Authorities clause in the EVFTA. Customs Authorities would "target and identify shipments containing import and export goods suspected of infringing an intellectual property right on the basis of risk analysis techniques". Currently, the Vietnamese customs authorities do monitor all types of intellectual property, but effective confiscation of infringing goods or imposition of fines on infringers still largely depends on the IPR owner's actions which can be cumbersome for foreign businesses, especially SMEs.

## EVFTA not a magic wand – Enforcement challenges still remain

There is still a lack of trained IPR advisers and judges with technical IP experience in Vietnam. The Vietnamese authorities are working towards improving training for court officials, judges, customs authorities, and IP enforcement agencies. There are 3 main avenues of enforcement in Vietnam: administrative actions, civil litigation, and criminal prosecution.

Variation in court decisions and orientations among local courts are still reported. In many cases judges in rural areas lack the technical experience and training to bring judgments in line with Vietnamese commitments to international IP standards. Currently, there are also no special or dedicated IP courts in Vietnam. Civil litigation and criminal prosecutions are handled by the general courts. Due to the lack of IP training and human resources within the judicial system, the case outcomes remain somewhat unpredictable. IP disputes are handled by administrative authorities such as the Inspectorate of Science and Technology, the police or Vietnam Competition Authority instead of courts. In most cases, it is important to obtain expert opinions to facilitate the resolution of the case by competent authorities. Administrative actions are speedier and more cost effective, however, for complex cases, SMEs may still go for civil actions or mediation.

The EVFTA is definitely ambitious and will introduce a number of beneficial changes for SMEs operating under Vietnamese law. However, it is wise to bear in mind that these changes will happen slowly as the EVFTA itself is expected to enter into force in 2018 and it takes time for Vietnam to fully comply with all its clauses.

For more information on the changes in Vietnamese IP regulatory system under EVFTA, please see the South-East Asia IPR SME Helpdesk <u>webinar</u>.

For more information and free, tailored advice, get in touch with one of our Helpdesk experts.

South-East Asia IPR SME Helpdesk Team

Helika Jurgenson, Project Executive

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<sup>&</sup>lt;sup>3</sup> Article 27, Intellectual Property, EU-Vietnam Free Trade Agreement



# SOUTH-EAST ASIA IN IPR SME HELPDESK

The **South-East Asia IPR SME Helpdesk** supports small and medium sized enterprises (SMEs) from European Union (EU) member states to protect and enforce their Intellectual Property Rights (IPR) in or relating to South-East Asian countries, through the provision of **free information and services**. The Helpdesk provides jargon-free, first-line, confidential advice on intellectual property and related issues, along with training events, materials and online resources. Individual SMEs and SME intermediaries can submit their IPR queries via email (question@southeastasia-iprhelpdesk.eu) and gain access to a panel of experts, in order to receive free and confidential first-line advice within **3 working days**.

The South-East Asia IPR SME Helpdesk is co-funded by the European Union.

To learn more about the South-East Asia IPR SME Helpdesk and any aspect of intellectual property rights in South-East Asia, please visit our online portal at <a href="http://www.ipr-hub.eu/">http://www.ipr-hub.eu/</a>.