

## Procopio Perspectives Podcast

### Vietnam and Patent Protection: Observations, Developments and Strategies

As Vietnam rises as a consumer market, research hub and manufacturing center, patent rights are becoming increasingly important. In this podcast, we consider the impact of Vietnam's increasing importance on patent strategy in various technology fields. We also provide our views on filing and prosecution strategy, as well as some updates and practical tips.

Procopio Asia Pacific group leader and IP Partner Miku Mehta joins three Principles from FPA Patent Attorneys, Tracey Hendy, Karen Bentley, and Desmond Tan for this robust discussion.

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Welcome to Procopio Perspectives, a podcast featuring award-winning corporate and litigation attorneys providing useful legal insights on the latest issues of the day. Now, here's your host.

- Miku Mehta: 0:15: Okay, everyone. Thank you very much for joining today and welcome to another installation of the Procopio Podcast series. Today I'm talking with my good colleagues, Karen Bentley, Tracey Hendy, and Des Tan. They are all principles in FPA patent attorneys, which practices in the Southeast Asia region. And today we're going to be talking a little bit about patenting in Vietnam, some of the trends and techniques and tools and some of their impressions. Before we dive into the details though, I'd like to give Karen, Des, and Tracey a chance to just tell us for a few seconds about their practice, what they do, and their technology area. So, Karen, would you like to tell us a little bit about your background?
- Karen Bentley: 1:10: Thanks, Miku and hi, everyone. My name's Karen. I'm a principal in the chemistry and biotechnology group of FPA. My practice is predominantly representing corporate entities in the US and Europe for their Australian, New Zealand, and Southeast Asian patent portfolios in anything in the food, agriculture, and pharma space.
- Miku Mehta: 1:35: Great, thanks. Des?
- Desmond Tan: 1:40: Thanks, Miku. Happy to be part of the Procopio Podcast series again. My name is Des Tan. I'm the principal in the Singapore office of FPA and my practice involves helping local clients in Singapore and Southeast Asia to file their IP in Singapore and rest of the world and to also advise my clients to exploit the best of their IP assets, such that they get the best commercial interests out of their research and development budget. Thanks.
- Miku Mehta: 2:05: Great. And Tracey?

Tracey Hendy: 2:07: Thanks, Miku. Yes, I'm a principle in the Melbourne office in the physics and the engineering team. I specialize in mechanical engineering and although that's a very broad field, I would say that I specialize in medical devices. Thank you.

Miku Mehta: 2:20: Great, great. Thanks so much. And my name is Miku Mehta and I'm a partner in Procopio Firm. I'm based in our Silicon Valley office and I head our Asia practice group. I'm a patent attorney and my practice is mainly in computers and software, environmental technologies, and automotive. So today, we're going to be talking about Vietnam and patent practice in Vietnam a little bit. I think first question, I'll throw out to you, Karen, why would a company, maybe a US company, be interested in Vietnam as a filing jurisdiction?

Karen Bentley: 2:55: Thanks, Miku, and I think that's a really great and relevant opening question to what we're talking about today. I think a lot of people have quite an outdated perception of Vietnam as a country whose value is defined mainly by agriculture. It's a country that's got a population of almost a hundred million people. It has the fastest growing middle and affluent class in the region, which really provides the right demographics for growth and openness to US products and services. Their middle class alone is almost 44 million people and by 2030, that's predicted to be 95 million people. And just put that in context, that is almost four times Australia's entire population. So I think importantly, their GDP has grown by a whopping 3303% from 1990 to 2016 and it's actually the second fastest growth rate worldwide, which is only surpassed by China. And importantly, Vietnam is a very innovative country and they're really priding themselves on making a lot of advancements in that area.

4:10: They rank ninth on a global scale for high tech exports and they've increased on the global innovation index. They were 76th just nine years ago. They're now 44th, so I think that really goes to their investment in becoming a country of innovation. They are performing way above expectations for their income group and impressively, this is their 11th consecutive year that Vietnam has overperformed on innovation, according to that global innovation index. They rank in the top 30 for market sophistication and I think another important element of why Vietnam, as a country for US companies to do business with, is that the World Bank index has recently reported that they've made some noteworthy improvements in making it easier for businesses to access finance and run day-to-day operations. And certainly in light of the US-China trade war, there's been a movement of a production shift out of China to Vietnam. And a survey from 2020 revealed that over 60% of US companies are considering shifting operations to Vietnam from China and is the most frequent alternative out of all of the ASEAN countries that the US companies are looking to.

Miku Mehta: 5:30: Wow. Well, and within all of that in the IP space, are there certain areas of technology which you see as leading areas for innovation growth and IP filing in Vietnam?

- Karen Bentley: 5:40: Yeah, absolutely. Agriculture still remains a very strong industry for them, still 15% of their GDP, but really where they've made some pretty big strides in the last few years has been in relation to telecommunications, information technology, power generation, transportation, infrastructure, environmental technology, and defense, and I think that's all part of Vietnam's pursuit of a really rapid economic development. The healthcare sector is also a growing sector for them with an increasingly wealthy population. They're spending more on medical treatment, they're living longer, so the population is needing healthcare solutions for diseases that typically occur later in life and that was an expanding region of opportunity as well and innovation in the area.
- Miku Mehta: 6:40: Yeah. That's consistent with what we've seen. We've seen a lot of companies set up research centers in Vietnam or manufacturing, and there's a great increase in trade and growth between our jurisdictions. I wonder, and maybe I might ask if Des or Tracey also has any insight on this, is whether there are some policies in terms of incentives or subsidies or anything like that, that is supporting and catalyzing the emerging technologies and the growth that you've you've explained about, Karen.
- Desmond Tan: 7:10: I'd like to hop in at this juncture, Miku. From the ground in Singapore, as you know, Singapore is a hub for R & D investment and from the angel investors, we see people whom I've been meeting in Singapore. Vietnam often comes up as a country of conversation. Fortunately, Singapore is quite regularly spoken of as a country for investment, but Vietnam is coming up fast, simply because we are seeing the Vietnamese government using, broadly speaking, research & development as a way to develop the country. What do I mean by that? Tax incentives and governmental incentives are provided for companies who invest in regions that are less developed compared to other parts of Vietnam. So for example, if you invest in a more rural region compared to Hanoi or Ho Chi Minh, you are likely to get more governmental incentives based on that for the reason that they are actually actively seeking and showing that they are taking the steps to improve the country with foreign domestic investment and with innovation.
- 8:15: So back to your question, what kind of incentives do we see? We see substantial incentives to attract domestic investment into Vietnam, underpinned by investing in the talent that is inherent in Vietnam. And personally, I do see, which may be particularly relevant to you, Miku, a lot of software coders in Vietnam. You're looking at companies that not necessarily develop an entire product, computer implemented invention, in Vietnam, but at the same time, a lot of the coders, a lot of the talent that they rely upon is offshored to Vietnam. In the days where you see a lot of, for example, call centers being offshored to India, Vietnam is the offshore center for a lot of software coding, so that's something that I observe over here in Singapore.
- Tracey Hendy: 8:58: I'd just like to support what Karen and Des with some statistics that I've got in front of me in regard to information and communications technology. We can see that about 20% of the total filings are in that field of information and communications technology. So while we've got a general trend of growth in patent filings in Vietnam, what we're seeing is also a consequent increase

in the filings in the field of information and communications technology. And just to support Des's point about Vietnam coming with coders and also other inventions in the ICT field, leading filers, looking at country from country of origin in Vietnam, we've got China, South Korea, and Japan are clearly leading the pack and then you've got US, but Vietnam is actually the fifth in that where the statistics fit at the moment in regards to country of origin from filing in the ICT field, so it's definitely a growth story there.

Miku Mehta: 9:58: Yeah. That's consistent with what we've seen as well. So Tracey, do you have other trends that you've seen as far as trademarks, utility models, designs as they relate to filings coming into Vietnam or do you think that's consistent with the ones in ICT?

Tracey Hendy: 10:10: Yeah. I did have a look at the stats. I just drew them last night from the YPO statistics that you can get in and have a play with and have a look at your own time bands, just in regard to patent filings. We're looking at around about from 2015, when we're looking about the 5,000 filings going up to about 8,000. Trademarks is quite different numbers altogether. Total filings now are around about 64,000 per annum and these are 2020 figures, the most recent available on YPO coming up from about 43,000 in 2015, so generally, a year by year increase in trademark filings. What I thought was interesting there is in regard to patent filings, you've got foreign resident companies being the predominant filers, where it's in trademarks, it's very much the resident filers that are out stripping the foreign trademark filings in the range of about 48,000 for our resident filers to 16,000 for local filers.

11:20: Designs are going up year by year as well. We don't have huge filing numbers in designs and the residents and non-residents have pretty much at a parity there. I've also got some stats on green tech. So while Karen talked about Vietnam very much seen as an agricultural based country, it does seem that there's also a lot going on in the what I call green tech space in Vietnam. The World Bank has identified that there's a problem there with pollution, that almost a hundred percent of the residents are exposed to non-acceptable levels of pollution, so quite a bit going on there in the green tech space so generally just increasing, like the rest of the filings are increasing. Top filers, the DOW, Agris, Syngenta, Honda, Bayer, BASF, and then a number of Japanese companies. So Japan is actually on the top of the list for the country of origin for green tech, so we're seeing that pretty much that Japan is the top filing country in Vietnam. The rest of the chase group, as you would say in Tour de France terminology, is China, Korea, and the U.S. and the rest of the following below that band.

Miku Mehta: 12:35: Great, great. Well, that's really good to hear. The growth trend and the IP protection trends are consistent for Vietnam and they're both growing very stably and rapidly. Let's talk a little bit more about patent prosecution. Let's get into a little bit of the nuts and bolts of it. Karen, I'd like to come back to you and ask you, what do you think are the things that I need to know to effectively prosecute a patent application in Vietnam?

- Karen Bentley: 13:00: Well, what your listeners will probably be pleased to hear is that it is a fairly straightforward jurisdiction. They have some quite quirky formality type rules, which usually results in the examiner asking for deletion of text from your specification. But what I implore people to understand is the basis for the objections because in our experience, there's always an alternative to complying with the examiner's request. For example, they object to the paragraph that's present in a lot of specifications, which set out the priority document details and the fact that subject matter is incorporated by reference. And so they ask for it to be deleted, but really what the issue is that Vietnam specifications can only have defined subheads. So the issue is actually just deleting the subheading, not deleting the subject matter. So it's those sorts of quirks and rules that, I think, it really pays to be across them and to be working with someone that's across them, such that they can give you the best advice possible.
- 14:07: They have relatively short deadlines and the extensions must be requested in advance. That's not unique to Vietnam, but I think deadline was, they are one of the jurisdictions with the shortest deadlines to respond to things. But again, I think if you're working with someone that knows what they're doing, that shouldn't be an issue for you. Overall, I think their patent prosecution processes are very reasonable. You know where you stand on your claims before you have to make a decision on divisional applications. They're reasonable when it comes to overlapping subject matter that can be contained in your divisional applications and they're also pretty reasonable when it comes to the amendments that you can make and when you can make them. Their number one preference without question is for you to conform your Vietnamese claims to those from your European application. So if you have granted European claims, I'd almost guarantee you that they're the claims that you will get in Vietnam.
- Miku Mehta: 15:05: Wow. That's great to hear. I think applicants will be really pleased to hear that. Importantly, what about the cost?
- Karen Bentley: 15:10: Putting aside the translation costs, because obviously you do have to translate everything into Vietnamese, it's really not an expensive jurisdiction. From filing to grant would be, and this varies a little bit, depending on the technology, I'd say USD 6,000 to 8,000, and that's from filing to grant. They don't have huge official fees and excess claim fees are only USD \$8 per independent claim. So if you've only got four independent claims in there, you are looking at less than 50 US dollars for the claim so it's not too expensive to actually prosecute through there.
- Miku Mehta: 15:50: Wow. That's really great to hear. On the timelines, on the pendency, I don't know if you have some comments on that or any PPH or acceleration options that might be available.
- Karen Bentley: 16:05: Yeah, you'll get your first office action ... Well, I'll go back a step. You'll get a formalities report, which is usually just an amendment to the heading and maybe the abstract. Particularly in the life sciences area, you have to remove references to methods of treatment and uses, so you usually

get that within six to 12 months of filing and then you'll get your first office action around the 30 month stage. And they look at responses reasonably quickly. Your pendency is, you could probably finish prosecution in three to four years in Vietnam.

16:40: They have an informal expedition process where you can just ask the examiner to pick up the case and give them a reason why you'd like your case examined out of order, that is discretionary, but then they also have a formal PPH arrangement with Japan and Korea. And both of those agreements have been extended, so Japan was extended until March 2025 and Korea has just been extended to May, 2023.

17:10: The only catch with the PPH is that they are limited number of requests that can be filed each year. For Japan, it's \$200 per year, but that is split into 100 cases every six months. And Korea only has 100 request per year in total. But if you do get your request in early, they've got about a 97 to 98% acceptance rate based on the examination outcomes in those jurisdictions. But if you don't have Japan and you don't have Korea ready for a PPH request, then the most straightforward process is to file a voluntary amendment to align your claims with those allowed elsewhere. As I said, first preference would be Europe's, second preference would be the US, and then you've got a very good chance of your first report being clear.

Miku Mehta:

18:00: That's great to hear. Important to note, if your office of first filing is JPO or KIPO, that you can use this. Of course, numbers are limited so you have to time it just right. Let's talk a little bit about some of the big ticket global concerns, CRI diagnostics and second medical use. Des, I don't know if you can speak a little bit more about CRI and some of the issues there just for a couple minutes.

Desmond Tan:

18:32: Sure. Happy to do so, Miku. Anyway, just to take one step back to the earlier portion about the expedited processes for Vietnamese prosecution, I think one thing to note that Karen was insinuating is that relying on the European application would probably be advantageous for the fact that your PPH countries with Vietnam are all in their very specific languages, Korean, Japanese, and of course, Vietnam has their own language. So in the life sciences space, for example, where you can have hundreds of claims or at least a hundred claims, if you got to translate all those hundred claims, for example, from Japanese back to English back to Vietnamese, it may incur costs versus a direct translation from whatever is granted in Europe that has very onerous excess claim fees. So basically from cost wise, it may be prudent to focus upon the counterpart European application, if available, rather than the PPH alone, for at least the translation cost perspective, just something to [inaudible] off.

19:36: Onto the part that I'm supposed to talk about, in relation to computer implemented inventions, happy to say they do take a very European approach. As long as your computer implemented invention has a technical character, it is, on the face of it, allowable. And that's what we are encountering on the ground prosecuting applications in that space, and Miku,

you may be familiar as well. I think they are quite reasonable in terms of accepting arguments of technical character so we don't really have to deviate substantially from arguments that we submit in Europe and increasingly in the US, so basically you should be able to get such technical applications through.

20:25: Pure software applications, of course, you are likely to get issues. There is an explicit bar for software inventions, but if you talk about an invention with a technical character, a computer implemented invention, some hardware element involved, you're likely to be able to get it across the line. So there's just some nuances to take note of and it isn't very much different from, for example, what we do in Singapore and what we do in us and Europe in relation to the computer implemented space. And I think Karen can step in for the medical side of things as well.

Karen Bentley:

21:02: Yeah. Unfortunately, I can't be as optimistic as Des is in reporting to your life science clients. Vietnam still does not permit medical use claims in any format. So they don't accept methods of medical treatment, they don't accept Swiss form claims, and they don't accept EPC 2000 or purpose limited product claims. Diagnostic methods, you also can't patent them at the moment. Interestingly though, Vietnam is signatory to the, and this is a mouthful, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, and that became effective in January, 2019 and it was a requirement for all the signatories to permit use claims of some description. So Vietnam had signed up to that, but that specific provision is currently suspended. So whilst it's suspended, they don't actually have to abide by it. And what we're seeing, practically, is that cases filed with some sort of use claim, they're not being objected to it at the formality stage.

22:05: And I think, well, what I suspect is that it's because by the time they reach substantive examination, that provision may be enforced, which means you could have kept the claims. But by the time the applications get to substantive examination, if those claims are still there and because the provision still isn't enforced, then they are being rejected at that point in time. I've got clients that they're prepared to take a punt on those claims. And what they're doing is just filing serial divisional applications, which probably answers another question about Vietnam process. You can file a divisional offer divisional and so what they're doing is rolling over their cases, hoping that eventually the provision will be enacted and Vietnam will permit use claims of some description and diagnostic methods.

Miku Mehta:

22:55: That's helpful to know that you can defer that way to some extent as things progress. It seems like we have different trends in different technologies, computer related versus life sciences, and it's just something we need to keep an eye on. The consumer markets are growing and the high P filings are growing, but it's varying in different technology areas. We've seen here in the environmental technology, computer related, and life sciences, three different types of trends going on. So before we wrap up, I'd like to ask each of you to maybe give at least one takeaway for what you would advise companies to do in the short term, with regards to getting their IP protected if they're doing business in Vietnam.

- Karen Bentley: 23:40: I'll kick off. My take home for you all is you all know the patent process is not an overnight process. From filing to grant, you're talking five to eight years. So what you're really going to be looking at is, Vietnam now is a great destination and has a lot to offer. Look at what they're going to be like in five to 10 years' time and the market opportunities of a country that has, as I said, more than three thousand-fold increase in GDP. So plan ahead, get in early, and file your cases there now.
- Desmond Tan: 24:10: Basically in a similar vein to Karen, things are evolving very quickly in Vietnam. So what we are seeing is, at least pursuant to the sign up to the CPTPP, they've had changes in their patent laws in 2019, they are having some changes coming online on 1st of January, 2023, and we are seeing their laws evolving in a way that's becoming more aligned with the rest of the world.
- 24:30: So number one, your economy is going to become more and more critical in the entire global space. Number two, you're looking at patent laws that are going to be more robust, more reliable, I would say, comparable to the rest of the world in the coming years, which is why, can you really miss up on that? I tell my clients that they should seriously consider Vietnam to be at least one of the pillars in Southeast Asia, if not for the size of the market, at least for what is likely to come out from the country in the next five to 10 years. Over to you, Tracey.
- Tracey Hendy: 25:10: Oh, thanks, Des. We've talked a lot about patents and issues with patents and just don't forget that in the strategy for protecting your IP, there's always utility models and you can branch off from any patent filing and file divisional for utility model and they might be useful strategic tools. So between us at FBA, we're certainly well placed to thinking about the best way to protect your IP. Talk to us about what your goals are, whether they be short term or long term goals of Vietnam, and we can give you those strategies for maximizing your protection.
- Miku Mehta: 26:00: Great, Tracey, Des, and Karen, I'd like to thank you all for taking your time for this podcast. I look forward to any questions from the audience. Audience, please feel free to send them directly to Karen, Des, Tracey, or myself, and we'll look forward to seeing you on the next installation of the Procopio Podcast series. Until then, have a great rest of the day and take care.
- 26:20: We hope you enjoyed this Procopio Perspectives podcast. Please subscribe, if you haven't already, and visit Procopio dot com to learn more about Procopio. Thank you for listening.