

COPYRIGHT LAW

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DETERMINING DAMAGES ARISING FROM COPYRIGHT INFRINGEMENT

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Abstract

This article seeks to clarify legal issues relating to determining damages in copyright infringement, including material damage and spiritual damage. This is a complex area of law, involving both objective and subjective considerations. The author examines the concepts of material damage and spiritual (or moral) damages in detail under Vietnamese law, drawing comparison to their meaning and interpretation in other jurisdictions. The challenges of valuation of material losses are identified and examined — with emphasis on the methods currently used in court practices. As to spiritual or moral damages, the challenges are more complex, being highly subjective to the infringed party, and thus difficult to assess. Other heads of cost — such as lawyer's fees are also examined, with a view to drawing a distinction between what is reasonable or not — and the reasonableness of the legal fees of a party who is claimed to be infringing the rights of another. Based on the study of Vietnamese laws, laws of certain jurisdictions and hearings in Court practice, this article also makes some proposals on the supplement, clarification of damages to be compensated and bases for evaluation of the infringed copyright. Specific conclusions are made upon the topics of supplementing the definitions of the type of damage to

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include other reasonable costs and damages, specifying in detail the valuation methods of copyright, and finally the establishment of criteria for determining reasonable lawyer's fees.

Keywords

Infringement, copyright, compensation, material damage, spiritual damage, moral damage, calculation, reasonable

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I. INTRODUCTION

Copyright has the abstract nature of intellectual property rights in general. For that reason the consequences arising from copyright infringement are relatively complicated and difficult to identify. One of the effective remedies for handling copyright infringement is to claim for compensation for damage. Therefore, it is necessary to accurately determine the full damage arising from copyright infringement, especially to reasonably develop and apply legal regulations governing this field.

This paper overviews the regulatory framework on determining damages arising from copyright infringement in Vietnamese law including material damage and spiritual damage. This problem faces some shortcomings in practice and requires appropriate amendments of the law. Therefore, the article points out solutions to improve Vietnamese law based on similar researches of foreign laws.

II. GENERAL REGULATIONS OF INTELLECTUAL PROPERTY LAWS ON DETERMINING DAMAGES ARISING FROM COPYRIGHT INFRINGEMENT

Legal issues on copyright are governed by a number of normative documents. There is the Law on Intellectual Property 2005 as amended and supplemented in 2009² and [its] guiding documents such as Decree No 22/2018/ND-CP dated 23 February 2018 detailing a number of articles and implementation measures of Law on Intellectual Property 2005. Further, the Law amending and supplementing a number of articles of the Law on Intellectual Property in 2009 regarding copyright, [and] related rights which took effect from 10 April 2018 (Decree No 22/2018/ND-CP). Decree No 105/2006/ND-CP dated 22 September 2006 detailing and guiding the implementation of certain articles of Law on Intellectual Property regarding protection of intellectual property rights and state management of intellectual property rights, as amended and supplemented by Decree No 119/2010/ND-CP dated 30 December 2010 (Decree No 105/2006/ND-CP). There is Joint Circular No 02/2008/TTLT-TANDTC-VKSNDTC-BVHTT&DL-BKH &CN-BTP dated 3 April 2008 instructing the application of certain legal regulations in resolving disputes of intellectual property rights at the People's Court (Joint Circular No 02/2008). Overall, these documents provide the legal bases to determine unlawful acts infringing copyright, the rationales for determining damages, the types of damages to be compensated as well as methods of determining compensation amount in specific cases.

In addition, the regulations on tort liability in the Vietnamese Civil Code 2015³ are also applicable in cases where there are no available applicable or relevant regulations in the intellectual property laws. Article 5.2 of the Law on Intellectual Property specifies that in the event there are inconsistencies between the intellectual property regulations

² Law on Intellectual Property (No 50/2005/QH11) dated 29 November 2005, amended, supplemented by Amended, supplemented Intellectual Property Law in number of articles (No 36/2009/QH12) dated 19 June 2009 and compiled in compiled document No 19/VBHN/VPOH dated 18 December 2013 (hereinafter referred as "Intellectual Property Law 2005").

³ Law No 91/2015/QH13 dated 24 November 2015.

of the Law on Intellectual Property and the [same] regulations of other laws, the regulations in the Law on Intellectual Property shall prevail. This is also in line with the “specific controls over general”⁴ canon (or principle) of enforcement, despite the fact that such canon is not expressly prescribed neither in the Law on Promulgation of Legal Normative Documents 2015⁵ nor the same Law from 2008. However it is still recognised to be applied by the community of legal professionals. Article 4 of Civil Code 2015 also provides that “This Code is the general law governing civil relations, and in case other relevant law does not provide for the issue in question, the provisions of this Code shall be applied.”

According to Joint Circular No 02/2008, a “Liability to compensate for damages against an infringer of intellectual property rights” shall be determined in accordance with Article 604.1 of the Civil Code. Further requirements are adherence to the provisions of section 1 Part 1 of Resolution No 03/2006/NQ-HDTP dated 8 July 2006 of the Council of Justice of the Supreme People’s Court on guiding the implementation of certain regulations of Civil Code 2005 regarding compensation for tort damage” (Section B.VI.4.1). Thus, when applying for a remedy to compensate for damages arising from an infringement of intellectual property rights, the relevant regulations in Law on Intellectual Property must be applied first. In the event there are no relevant regulations in Law on Intellectual Property, the regulations on liability to compensate for damages as stipulated in Civil Code shall be applicable.

“Damage” shall be interpreted as “loss of human life, health, honour, dignity, prestige, property, other legitimate rights and interests protected by the laws.”⁶ From the perspective of legal science, damage is a deterioration in condition of the property, and/or personal values protected by the laws.⁷ The existing scholars in the field seem to share

⁴ Taken from When General Statutes and Specific Statutes Conflict. https://papers.ssrn.com/sol3/papers.cfm?abstract_id=1669505 12 May 2019.

⁵ Law No 80/2015/QH13 dated 22 June 2015.

⁶ Ministry of Justice — Institute of Legal Science, Dictionary of Law (Encyclopedic Dictionary Publishing House and Justice Publishing House 2006) 713.

⁷ Nguyen Xuan Quang, Le Net & Nguyen Ho Bich Hang, Civil laws of Vietnam (Ho Chi Minh City National University Publishing House 2007) 471.

a common perspective that damages shall be determined as the loss of values including both material and spiritual damage, such loss shall have not been incurred by the copyright holder but for the infringement. In order for the liability to compensate for damages to be arisen, the “damage” must be a prerequisite.⁸ Currently, the Law on Intellectual Property provides that damages caused by copyright infringement includes:

- Material damage (Article 204.1.a of Law on Intellectual Property) including loss of property, deterioration in income, profit, loss of business opportunities. These are losses that directly prejudice to matters such as manufacturing, business activities and profit-making of intellectual property rights’ owners.⁹

- Spiritual damage including losses of honour, dignity, prestige, reputation and other mental sufferings incurred by the creators of literary, artistic and scientific works (Article 204.1.b of Law on Intellectual Property).

- Material damage arises mainly from infringement of property right under copyright, while spiritual damage arises from an infringement of moral right — an important distinction.

III. MATERIAL DAMAGE

1. Loss to Property

The first type of material damage stipulated in Article 204.1 of Law on Intellectual Property is loss to property. Property losses are construed as an impairment or loss of the calculable monetary value of a protected work (Article 17.1 of Decree No 105/2006/ND-CP). Copyright includes moral right and property rights.¹⁰ Here, property right is a type of property as stipulated in Article 105 and Article 115 of Civil Code 2015, showing “the characteristic of property” as well as other

⁸ Hoang The Lien (Editor), Scientific Commentary on Civil Code 2005 (National Political Publishing House, Volume 2 2013) 712.

⁹ Article 16.1 Decree No 105/2006/ND-CP.

¹⁰ Article 18 of Law on Intellectual Property 2005.

intellectual property rights,¹¹ with real value.¹² Further, the infringement had caused certain adverse effects impairing or otherwise affecting the property value. From the intangibility nature of intellectual property, the connotation of the concept of loss to property with respect to intellectual property rights is not entirely the same as ordinary property in civil transactions. For example, damage caused by trespass against property under Article 589 of Civil Code 2015 includes cases such as lost, demolished, damaged property, etc. In the case of intellectual property, it is quite difficult to identify these kinds of damage. In such cases damage can solely be determined through losses of calculable monetary value of such rights.

Such calculable monetary value might be determined by various methods¹³ (intellectual property valuation methods). From an economic perspective, an intellectual property could be evaluated by one of (or combination of) three methods: cost approach,¹⁴ market approach¹⁵ and income approach.^{16, 17} Intellectual property valuation

¹¹ Frank H. Easterbrook, Intellectual property is still property (13 Harv. J. L. & Pub. Pol'y 108, 1990) 20.

¹² Dinh Thi Mai Phuong, Towards compensation for damage arising from unlawful act in infringement of industrial property right under Vietnamese laws (National Political Publishing House 2009) 233.

¹³ Bui Minh Phuong, Valuation of Intellectual property, <http://baohothuonghieu.com/banquyen/tin-chi-tiet/dinh-gia-tai-san-so-huu-tri-tue/1303.html> 10 May 2019.

¹⁴ Intellectual property shall be evaluated based on costs arising during the creation and development of intellectual property, including costs of reproduction and replacement. For this method to be implemented successfully, it is required that information and data on research, investment and cost activities must be complete, [and] transparent.

¹⁵ This valuation is based on whether a third party is willing to obtain a transfer of [such] intellectual property rights (in the form of [ordinary or complete] transfer or transfer of right to use). In addition, this method could also be conducted based on the price analysis of similar intellectual properties that have been traded successfully at the time close to the time of valuation.

¹⁶ The intellectual property will be evaluated based on the estimated income sources that the owner of such intellectual property right might be likely to receive during the effective period of intellectual property rights. This method focuses on assessing the profitability of intellectual property rights objects.

¹⁷ Nguyen Thanh Tu, Some legal issues on commercial exploitation of intellectual property in enterprises in Vietnam (2012) 2 Legal Science Journal 38.

is a complicated and highly specialised task.¹⁸ Upon an occurrence of copyright infringement, the value of the work is lost or diminished, this is identified as losses of property. One of the grounds to determine the value of the works and losses arising from infringement is the transfer price of this object at both preceeding and following points of the infringement of copyright. The transfer price is to be calculated assuming that copyright is transferred under the contract to the extent relevant to the infringement committed. The difference between the prices at the two points is loss of the property – the value of copyright.

2. Deterioration in Income, [and/or] Profit

Property in general and intellectual property in particular do not only exist with their original values but in a positive way, they also have future values or benefits. These are benefits that should have been receivable by the owner. Hence, the loss or impairment of benefits in capability for exploiting the property is also a type of damage arising from infringement.¹⁹

Article 18.1 of Decree 105/2006/ND-CP stipulates that: “Income, an profit include: (a) Income, and profit derived from the direct use, and/or exploitation of the intellectual property right; (b) Income, and profits derived from leasing the intellectual property right; (c) Income, and profit derived from the transfer of the right to use of the intellectual property right.” In addition to such direct exploitation of the intellectual property, the laws also allows the copyright holder to lease or transfer such right to another organisation or individual (Article 138 and Article 141 of Law on Intellectual Property) under the form of a transfer and transfer of right to use. The benefit deriving from the transfer of

¹⁸ Ministry of Science and Technology and Ministry of Finance have jointly promulgated Circular No 39/2014/TTLT-BKHCN-BTC dated 17 February 2014 providing on valuation of results from scientific research and development of technology and intellectual property funded by the state budget. Although this document is only applicable to a limited number of subjects, it could also be used for reference in case any similar regulations appear to be ambiguous.

¹⁹ Le Tuan Tu, How to settle claims for loss of benefits associated with the use, exploitation of property in criminal cases (2013) 19 *Journal of the People’s Court* 20.

right to use is also a form of income which in case an infringement occurs, the copyright holder shall no longer be able to receive such benefit.

In order to calculate the impaired income, and/or profit, the following steps might be of use:

The first step, is to directly compare the actual income, and/or profit before and after the occurrence of infringement, corresponding to each type of income, and/or profit;

The second step, based on such comparison, the impaired income, and/or profit shall be determined. In case the income and/or profit of the aggrieved party after the occurrence of infringement is lower than the same before such occurrence, the differential amount shall be the actual income, and/or profit impaired. In this case, it is necessary to consider the objective factors affecting the increase or decrease of such income and/or profit of such aggrieved party, which are factors not related to copyright infringement.

In the event it is determined that the income and/or profit at the time the infringement occurs is not reduced compared with the same preceding to such occurrence, but in comparison to the actual income, and/or profit, it is still less than which should have been receivable to them but for the infringement, this case shall also be considered as an impairment of the income and/or profit.²⁰ In addition, income could be determined based on the average income of the period preceding to the occurrence of such damage.

Currently, the exploitation of works can be seen in many different forms. For example, the right to create derivative works (adaptation, translation, etc.), to perform or display the work in public, to reproduce the work, etc. These activities provide rich sources of income to their creators and owners, especially high-value works, which are widely exploited in commercial circles. An infringement might refrain the copyright holders from reaping these benefits, or cause their benefits to

²⁰ Nguyen Phuong Thao, Liability to compensate for damages arising from infringement of commercial indications under the laws of Vietnam (M. A. Thesis, Ho Chi Minh City University of Law 2017) 49.

diminished. To that end, they deserve to be compensated for the losses that they should have been received were it not for the infringement.

Legislations in some countries, such as Japan, the United States and the European Union countries, have promulgated certain regulations to address the problem of determining damage due to deterioration in income, and/or profit arising from infringement of intellectual property rights/ There are many cutting edge approaches which are useful. There is a method of determining actual damage upon an occurrence of intellectual property infringement called “incremental income”.²¹ The revenue part is divided into two categories, consisting of a fixed amount and a variable amount. This variable amount is calculated based on the difference between the incremental income when the product is sold by the right holder in comparison with the amount receivable when it is sold by the infringer. Given that, the plaintiff’s impaired income is to be determined based on the business statistics of the infringer – the value they secured with the infringement. If the exact quantum of damage cannot be determined, the Court may base the valuation according to an estimated amount. In the case of multiple counterfeit products the valuation is the result of multiplying the price of one product by the number of counterfeits to calculate the amount of damage – possibly with a reduction due to differences in quality and sometimes even higher prices in comparison with the original products.

3. Loss of Business Opportunities

Exploitation and use of copyright can also bring an “opportunity to have a vested interest” – such as opportunities to expand business and to exploit assets in an effective way. Copyright infringement takes away the ability to take such opportunities and to reap some benefits from such opportunity. This is also counted as a type of damage to be compensated. The damage has not happened yet yet where it is certain that it will be, it could be considered for compensation.²² Some are of the view that the business opportunity and the diminished value

²¹ Denise W. DeFranco, Patent Infringement Damages: A Brief Summary (2000) Federal Circuit Bar Journal 40.

²² Do Van Dai, Laws on non-contractual compensation in Vietnam (2nd Hong Duc Publishing House 2016) 382.

of intellectual property (loss to property) are different aspects of the same issue and are not truly independent values.²³ The main difference between deterioration in income, and/or profit and loss of business opportunity is a matter of time,²⁴ that is between past and present. If the deterioration in income and/or profit has already occurred, the business opportunity to be addressed is a “would-have-been-gained” value in the future.

Loss of business opportunities is listed as a type of material damage as stipulated in Article 204.1.a of Law on Intellectual Property, on the following grounds: *Firstly*, the fact that material interests are violated by an unlawful act is true and being under the infringer's ownership; *Secondly*, the right holder is likely to gain certain benefits. It could be contracts to be signed, and/or sales opportunities; *Thirdly*, there is a decrease or loss of benefits incurred by the infringer after an infringement occurs relative to the ability to gain such benefits without any infringement.

In this regard, Decree No 105/2006/ND-CP and Joint Circular No 02/2008 provides specific guidelines. Accordingly, **business opportunities** are favorable circumstances, practical capabilities of the right holders to directly use and exploit, to let others lease, to transfer the right to use, to transfer the intellectual property right to other, etc. in order to reap the benefits. Thus, the business opportunity addresses to the owner's **ability** to gain material benefits. The right holder needs to prove that there is a purchase order received, and/or he or she has negotiated and agreed with a partner on essential contents in order for an agreement to be executed.

Further, such agreement would have been executed and implemented but for the infringement. Intellectual property laws of 2005 also require that when considering such a claim for loss of business opportunity, the Court shall require the infringer to specify and prove: (1) what is the lost business opportunity; (2) the calculable monetary value in such case for the Court's further consideration and decision.

²³ Le Van Sua, Regulations of the laws on compensation for damages arising from infringement of intellectual property rights, Information webpage of Ministry of Justice. <http://www.moj.gov.vn/qt/tintuc/Pages/nghien-cuu-trao-doi.aspx?ItemID=1942> 20 Mar 2019.

²⁴ Dinh Thi Mai Phuong, Towards compensation for damage arising from unlawful act in infringement of industrial property right under Vietnamese laws (National Political Publishing House 2009) 242.

4. Reasonable Expenses for Prevention, and Remedy of Damage

Damage inflicted by infringement has adversely affected the protected copyright, whose owner is, thus, entitled to take reasonable measures to prevent, mitigate and remedy the damage. In accordance with Article 585.5 of Civil Code 2015, the party holding the infringing rights and interests shall not be compensated if the damage occurred due to such party's failure in taking necessary and reasonable steps to prevent and mitigate damage for himself or herself.

Preventing and mitigating damage are rights as well as duties of the owner, however it shall takes a certain amount of cost to undertake such steps. In this regard, reasonable costs shall also be considered as a compensatable amount, since this completely arises from unlawful act of the infringer, thereby causing damage.

Reasonable expenses to prevent and remedy the damage stipulated in Article 204.1.a of Law on Intellectual Property are divided into two groups: The first group is the cost to prevent and mitigate the damage, (including expenses for any temporary retention, maintenance, storage, archiving of the infringing goods, expenses for interim urgent measures and reasonable expenses for hiring assessment services); The second group is applied to remedy the damage. This would include the costs of notification and rectification and corrections in mass media as a form of cost recovery, in terms of regaining consumers' trust in the product.²⁵

Similarly, under Article 589.4 of the Civil Code, reasonable expense to prevent, mitigate and remedy damages is a type of compensatable damage — but only provided that such damage satisfies the following two conditions: Firstly, this expense is applied to prevent, and remedy the damage; Secondly, this expense must be reasonable. In many cases, the question as to what is “reasonable” shall be subject to the view of the judicial authority since this is solely a qualitative standard. Hearings in practice have shown the diversity, and flexibility in resolving whether to accept these damages or not.

²⁵ Article 20 of Decree No 105/2006/ND-CP.

5. Reasonable Lawyer's Fee

The Law on Intellectual Property expressly provides that reasonable lawyer's fees are a compensatable amount. There are not many disputes in which the right holders are able to protect their rights themselves, given that, seeking consultation from a consulting organisation, or a legal counsellor is absolutely reasonable in such cases. Article 205.3 of Law on Intellectual Property stipulates that in addition to compensation on material and spiritual damage, the intellectual property right holder has the right to request the Court to make *the organisations and individuals committing an infringement* on the intellectual property rights pay a reasonable amount for the engagement of lawyer. Under the Law on Lawyers,²⁶ a client must pay a remuneration for using legal services of lawyers.²⁷ The fee amount includes lawyers' remuneration and travel and accommodation costs for lawyers. The remuneration rate shall be agreed by the lawyer and the client in a legal service contract on the grounds and calculation methods of the remuneration specified in Article 55 of the Law on Lawyers.²⁸

In fact, in copyright disputes, the aggrieved parties might seek dispensation from the Court to claim for an amount of lawyers' fee against the defendants. However, the existing problem is to determine whether it is considered as "reasonable" — i.e. how much compensation is considered as appropriate. In the cases of intellectual property disputes that have been resolved at the Court, the compensation amounts for attorneys' fees are very different and there are not many grounds upon which to specify this amount. In a dispute settled at the

²⁶ Law No 65/2006/QH11 as amended and supplemented by Law No 20/2012/QH13.

²⁷ The level of remuneration shall be calculated on the following bases: (a) The contents and nature of the legal services; (b) The time and amount of work required by the lawyer to provide such legal services; (c) The experience and prestige of the lawyer. Remuneration shall be calculated by the following methods: (a) Hours of work performed by the lawyer; (b) Cases and matters with a package remuneration; (c) Cases and matters with remuneration calculated as a percentage of the value of a case or of the value of a contract or of the value of a project; (d) A long term contract with a fixed level of remuneration (Article 54, 55).

²⁸ Section B.I.2.4 of Joint Circular No 02/2008.

Court of Appeal of the Supreme People's Court in Ho Chi Minh City,²⁹ the plaintiff claimed for lawyers' fee against the defendant an amount of VND 100,000,000 on the ground that the defendant has committed an infringement on the intellectual property rights owned by the plaintiff, according to Article 205.3 of the Law on Intellectual Property. On this basis, the defendant is liable to compensate an amount incurred by the plaintiff for an engagement of lawyer. In accordance with the legal service contract executed by the plaintiff and the law firm and pursuant to the value-added tax invoices, and the money transfer receipt of the bank, the plaintiff made a payment of aggregated amount of VND 100,000,000 to the law firm as agreed under the contract. Therefore, it is on a sound basis for the plaintiff's claim to be accepted.

First, the Court applied regulations of Law on Intellectual Property to require the defendant to pay the plaintiff a compensation for the lawyers' fee. Second, the evidence presented by the plaintiff and accepted by the Court included: the legal service contract, invoices, and proof of bank transfer. Third, the Court held that the amount of VND 100,000,000 is a reasonable amount in this case. At time of writing, this sum equates to \$ 4,314 USD.

According to many jurisdictions, the amount of lawyers' fee in the field of intellectual property in general is also a payable amount and this has almost become a custom. In France, Germany or England,³⁰ the losing party can be liable for the legal costs and attorney fees. Article 12.2 of the Vietnam-US Trade Agreement³¹ requires that infringers of intellectual property rights must be liable for expenses incurred by the right holders, which may include reasonable attorneys' fees. Article 45 of TRIPS Agreement states that "The judicial authorities shall also have the authority to order the infringer to pay the right holder expenses, *which may include appropriate attorney's fees,*" which recognises the attorney's fee is a compensatable amount.

²⁹ Case No 53/2013/KDTM-PT dated 08.01.2013 of the Appellate court of Supreme People's Court in Ho Chi Minh City.

³⁰ In England and Wales, the legal costs must be paid by an infringer of marks is of 80–100 % the actual costs incurred by the plaintiff.

³¹ Trade Agreements between the Socialist Republic of Vietnam and other countries (National Political Publishing House 2002) 117.

6. Hearing in Practice in Vietnam

From a practical perspective, in the film industry related dispute between Anh Vuong Corp and Phuong Tung Co., Ltd,³² in which Phuong Tung Co. Ltd had an infringement against the property right under the copyright of Anh Vuong Corp. Anh Vuong Corp had brought the following claims: Compensation for damage due to loss of property which is the purchase value of movie copyright of USD 39,000; damage due to loss of business opportunity which is 10 % of USD 39,000 — USD 3,900. The plaintiff (Anh Vuong Corp) proved that the amount the company had to pay Sangyang (copyright holder) was USD 39,000 to purchase this movie.

However, this compensation claim amount was not accepted by the Court. The Court held that: “The loss calculation method based on the cost of acquiring the copyright proved by the plaintiff is unclear, there are many comparative objective factors which proves it to be unbelievable” and provided a method to determine damage by “taking the transfer price of the right to use of this movie in case the movie was transferred to Phuong Tung company by Vietnamfilm Import-Export And Distribution Corporation Limited, which is VND 135,000,000.”

With respect to the compensation claim of loss of business opportunities, the Court held that Anh Vuong Corp had not conducted any business activities in exploiting profits from the movie, thus there was no ground for it to be accepted. On the basis of the above-mentioned rulings, it might be concluded that:

Firstly, the Court accepts the transfer price of copyright as a damage due to loss of property incurred by the plaintiff. In this case, the plaintiff had paid an amount (transfer price) to obtain the right to broadcast the movie in Vietnam. The copyright infringement committed by the defendant has affected such broadcasting rights of the plaintiff and thereby causing the damage.

Secondly, since the transfer price presented by the plaintiff was not sufficient evidence, the Court applied an “alternative method” — the transfer price at which the defendant obtained its copyright from

³² Case No 11/2011/KDTM-ST dated 4 January 2011 of People’s Court of Ho Chi Minh City.

another company. From the author's point of view, the application of similar alternative in this case is irrational since Vietnamfilm Import-Export And Distribution Corporation Limited does not hold the right to broadcast the movie, besides the scopes and subjects of the two transfers are different. However, in this case, the Court perhaps has no other basis to determine the damage, given that this is an acceptable resolution. This is one of the difficulties when determining loss and evaluating intellectual properties.

Thirdly, the Court found against the compensation claim for loss of business opportunities for the reason that Anh Vuong Corp had not conducted any business activities in exploiting profits from the movie. Although business opportunity is a factor demonstrating the probability of achieving future benefits, in order to claim for this damage, it is imperative to have pre-existing real or substantial factors proving the existence of this probability. The fact that the plaintiff had not conducted any business activities at the time shows that it is impossible for any predictable or measurable business opportunities to be generated. Accordingly, the Court did not find this claim to be reasonable.

IV. SPIRITUAL DAMAGE

Currently, determining spiritual damage is a dubious task. Civil Code 2015 regulates a tortious liability from Article 584 to Article 608, including general regulations, and regulations on determining damage in compensation for damage in specific circumstances. Accordingly, anyone who infringes upon the life, health, honour, dignity, reputation, property, and/or other legal rights or interests of other persons causing any damage, must be liable for compensation.

Spiritual damage might be addressed in cases of damage due to infringement upon health, life, honour, dignity, and reputation. In cases of compensation for damage due to property infringement, the Civil Code 2015 does not expressly regulate whether spiritual damage could be claimed for compensation or not.

On the other hand, Article 204.1.b of Law on Intellectual Property stipulates spiritual damage including *loss of honour, dignity, prestige, reputation and other mental sufferings*. These losses must be actual

losses and belonging to the aggrieved party; i.e. there is a certain decrease in honour, dignity, prestige, reputation... upon an occurrence of an infringement and such infringement is a direct cause resulting in such decrease.

This regulation also indicates that the party suffered from spiritual damages caused by a copyright infringement could only be the creator — other than the owner [of such copyright]. When an infringement occurs, moral rights as well as property rights could be both damaged, which may be both adversely affected. In case of property rights infringement, the plaintiff shall prove the material damages as aforementioned and accordingly determine the respective compensation amount. In case of moral rights infringement, the right holder might incur losses of honour, and/or prestige since these rights are associated with personal values (such as fame and reputation), as well as “the brainchild” (the integrity of the work) owned by the creator. Therefore, it is appropriate to allow the creator to claim for compensation for spiritual damage upon infringement. In many cases, the creators initiate a lawsuit primarily in order to protect moral — spiritual values — rather than property factors. This is also a differentiating factor to copyright of industrial property rights.

If compensation amount for material damage might be determined under one of the three bases stated in Article 205.1, as for the case of compensation amount for spiritual damage, there is no specific basis stated in the Law on Intellectual Property for the time being to determine the same amount. Article 205.2 of the Law on Intellectual Property stipulates that in cases where the plaintiffs are able to prove that the infringement of intellectual property rights had inflicted spiritual damage upon them, they may request the Court to decide the compensation amount from five million up to fifty million Vietnamese Dong, depending on the extent of damage. The existing guiding documents also do not show any further details in comparison with those regulations stipulated in Law on Intellectual Property, thus, to determine the actual compensation amount for spiritual damage is a burdensome issue.

According to the Japanese Copyright Act, liability to compensate for damages of copyright and moral rights caused by copyright infringement

are separately regulated. In a copyright dispute,³³ the Court decided that the defendant had to compensate the defendant for spiritual damage in an amount of 1 million Japanese yen and 7 % of selling price of the defendant's book which is being infringed. The Court had determined the compensation amount with consideration of the way in which the defendant committed an infringement, the social position of the plaintiff as an university professor, a scholar of ancient Japanese history, the work of the plaintiff and the mental sufferings of the plaintiff.³⁴

It is noteworthy that one of the important bases for determining the compensation amount of spiritual damage is the reputation, and/or prestige of the infringed party before and after an occurrence of the infringement. For example, in the aforementioned example the infringed party being "an university professor, scholar of ancient Japanese history" was one of the bases for the Court to consider the compensation amount.

In Vietnam, in comparison with the actual volume of copyright infringement acts, there are not many cases resolved by the Court in this area. In the copyright dispute between Mr. Trong and Mr. Dang,³⁵ Mr. Dang had used two songs composed by Mr. Trong without the consent of Mr. Trong (the creator), and at the same time editing the lyrics, the song titles without permission. Mr. Trong asked Mr. Dang to compensate for spiritual damages an amount of VND 10,000,000.

However, the competent Court held that: "Whereas, Mr. Dang's infringement did occur in reality — it is not serious and not intentionally committed, and also Mr. Trong himself cannot prove that the use of Mr. Dang of the two songs composed by Mr. Trong adversely affected and impaired his prestige. The plaintiff's claim of VND 10,000,000 for the two songs is accordingly not appropriate, and the trial panel only accepted the amount of VND 5,000,000." Given that, the court has recognized the infringement of moral rights (editing the lyrics, the

³³ Mutsuo et al versus Nihon Shelterkogyo KK.

³⁴ Truong Hong Quang and Le Thi Hoang Thanh, Compensation on damages arising from infringement of copyright and marks under Japanese laws and application in practice (2011) 6 Journal of State and laws 19.

³⁵ Case No 1549/2010/KDTM-ST dated 27 September 2010 of People's Court of Ho Chi Minh City.

song titles without permission) caused mental sufferings to the creator. However, the verdict does not refer to specific spiritual damages suffered by Mr. Trong; instead, it only concludes “adversely affected and impaired his prestige.”

The factors to be considered by the Court when deciding the compensation amount of spiritual damage are (1) the seriousness of the infringement, (2) the fault, and (3) the impairment level of prestige and reputation. Additionally, in this case the Court did not specify any basis for accepting the VND 5,000,000 quantum instead of VND 10,000,000 quantum as claimed by the plaintiff.

The difficulties in determining mental sufferings is not solely a problem in the field of copyright, but is also seen in tortious liability to compensate for damages. It remains very challenging to stipulate specific bases to determine damages. In the two aforementioned cases, the infringing parties also used some bad words and phrases, which prejudiced the honour and prestige of the infringements, might merit being an essential matter liable for compensation.³⁶

V. PROPOSALS AND CONCLUSION

Based on the concept of “compensating”, compensation for damage is heading towards converting damage into money to restore the aggrieved party to the situation as if there were no infringement occurred. However, with the intangible nature of intellectual property, not every lost values could be compensated by the infringer for the losses incurred by the right owner. To that end, when determining and calculating damage, it must be carried out completely and comprehensively.

In the light of the above analysis, the author would like to suggest the following proposals:

— *To supplement damage type to include “other reasonable costs” and damages caused to the related copyright*

In addition to the material damages as stipulated in the existing Law on Intellectual Property, other costs might also be incurred during the

³⁶ Case No 05/2017/DS-ST dated 17 August 2017 of People’s Court of Binh Gia District, Lang Son Province and Case No 504/2007/DSPT dated 17 September 2007 of People’s Court Tien Giang Province.

litigation process by the involved parties such as accommodation, travel, printing, delivery costs in the process of petition, denunciations, etc. Whether these costs should be considered as compensatable damages or not is still unclear under the regulations of Law on Intellectual Property. Hearings in practice have not shown any likelihood that the Court shall find for these costs. However, under the Law on State Compensation Liability in 2017,³⁷ Article 28 expressly and specifically stipulates that these costs are considered as damage amounts, provided the incurred party is able to prove the same and such costs are reasonable. In the author's point of view, this recognition is necessary since these costs are incurred for the purposes of filing a relevant lawsuit and protecting infringed parties' interests. Intellectual property laws should also consider recognising those in the guiding documents.

In addition, copyright infringement might not only prejudice to the protected work itself but might also cause damage to the sales of products related to the infringed work due to the appearance of counterfeit products on the market. Copyright, in addition to the spiritual value for the creators of the works also has great economic value, which is to become an object of commercial business activities.

The infringement gives a misleading impression to consumers regarding the creator — the work, tarnishing their images, the trust of their readers and viewers or audiences, adversely affecting the works belonging to the same creators, and/or their rights to perform or display the work of the performers, etc. If the infringed party could prove the existence of these types of damage, the laws should recognise and protect their legitimate rights and interests. Currently, intellectual property laws only focus on the infringed work and the infringed creator, but has not expanded [its scope] to related works/copyrights.

— *To specify in detail the valuation methods of copyright*

Valuation of intellectual property in general and copyright in particular is a sophisticated issue. The core factor is to accurately determine damage and the compensation amount. One of the characteristics of copyright is to protect the medium or other form of

³⁷ Law No 10/2017/QH14 dated 20 June 2017.

expression, regardless of the contents of the works. For such reason, it could not be based on any “good” or “bad”, “ugly” or “beautiful” nature, etc. to determine the monetary value of the work.

In the author’s opinion, the “price” of the work must be construed in a broad sense, including two elements: “property value” and “spiritual value” of the work. “Property value” refers to the use value, material benefits that the work brings to the creator, [and/or] copyright owner. This kind of value could be converted into monetary value or estimated through property rights as recognised under Article 20 of Law on Intellectual Property. Based on the material damages stipulated in Article 204, the value of the work could be calculated at the time of copyright infringement. The “spiritual value” part is abstract and more difficult to define. Each work is a “brainchild” of the creator but when carrying out the valuation to determine the damage, it must be viewed objectively to the general extent — which is subject to a social evaluation of the work. In other words, whether the infringed work has any specific impression to the public is subject to the relevant expertise. Although determining this factor is not an easy task, it can become one of the basis for considering and assessing the alleged damage.

Currently, Courts are still not able to conduct the valuation of intellectual property in general and copyright in particular on its own. This activity is mainly carried out by specialised agencies. Whilst judges are trained to decide many different areas, property valuation for determination of losses is an activity requiring not only legal knowledge but also understandings relating to economic factors. There are some views doubting the independence of the Court in such a judging process and some propose an establishment of a specialised Court in the field of intellectual property.

From the author’s point of view, the establishing a specialised Court is not necessary, especially at the moment. In other cases, Courts apply results from investigation, appraisal and evaluation from specialised agencies — why not in copyright infringement cases too? At the same time, adding a system of specialised court would make the judicial apparatus more bulky while in fact there have not been many disputes in this field so far.

— *To set up criteria for determination of reasonable attorney fees*

Recognising attorneys' fees as a claimable amount is one of the progressive points of the Law on Intellectual Property. In fact, international laws have considered such amount as a "customary" compensation instead of including it as a kind of material damage. Article 204 of the Law on Intellectual Property for the time being does not include this amount in the group of material damages either, but provides the same as a separate regulation in Article 205.3, showing its independence to other damages. For example, if there is an amount claimed for compensation less (or even considerably less) than the attorney's cost actually incurred by the plaintiff, should this cost be considered as reasonable?

In reality, it is not uncommon for copyright disputes cases in which the plaintiff does not claim for any material or spiritual damage but rather applies for other remedies such as requiring the infringer to make a public apology and/or correction, requiring a cease and desist order on the infringement or the destruction of all the pirated products. From the author's perspective, in these cases, the attorney fees must be considered separately from material and spiritual damages, as well as for the amount of attorney's fee exceeding those aforementioned damage, which is still accepted to be compensated.

In order to determine the "reasonableness" of attorneys' fees, guiding documents in the field of intellectual property laws or the case law system under codification should have specific regulations carrying the nature of orientation so that the judgments of the Court shall be more persuasive. The author proposes the following grounds which might be considered when determining the reasonableness of attorneys' fees such as: reasonable working hours of lawyers in the disputes (in comparison with similar disputes with engagement of lawyers); the market price of consulting services; the complexity level of the dispute; reputation and prestige of the engaging lawyers, etc.

Specific grounds might allow the Court to flexibly apply these ground on a case by case basis but there must also be a guarantee of overriding principles. Engagement of a lawyer is an activity supporting the involved parties in settling the lawsuit and protecting their legitimate rights and interests. Given that, the infringing party should be prevented

for any claim for compensation of attorney fees exceeding the necessary amount or for the purpose of performing work which is not directly served for the litigation. To that end, the “necessary” nature should be taken into account when considering this compensation.

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