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P A P E R

# RIGHT ON TRADEMARKS AND LEGAL PROTECTION AGAINST UNFAIR COMPETITION AND THE IMPACTS ON BUSINESS COMMUNITY

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# P R E F A C E

Generally, it may be said that by monitoring the development of mark law implementation in Indonesia, the "heartbeat" of economic activity development in Indonesia can be monitored, or in other words, it may be said that the mark problem can be used as the indicator of economic development direction in Indonesia. For example, the policy to open widely the "door" for foreign marks, which is followed also by the additional number of application for registration of mark and patent from abroad. Antoher example, the increase of non oil and gas export is followed by the increase of needs of Indonesian entrepreneurs to register their makrs abroad.

The protection of well-known mark in Indonesia which tends to protect the foreign mark should be anticipated appropriately by the Indonesian business community. If until present there are many Indonesian entrepreneurs who tend to imitate or plagiarize the foreign mark from its material aspect, from now it is better to change attitude not only to see its "skin" but also to understand its "content". It should be learnt the trick to succeed behind the glamour of such foreign mark, such as its product quality, production management, promotion strategy, distribution network and others. All such matters are required to make efficient use of all potencies that have in the field of natural resources and human resources and to develop them maximally, so that Indonesia will also be able to participate actively in the international trade constellation in the globalization era which, nowadays, becomes tighter in its competition.

The use of mark which can expressly show the National Identity of Indonesia for the products made in Indonesia should be thought seriously and applied actually. The chance to try superiority of Indonesian products using the original mark of Indonesia opens widely upon the existence of ASEAN FREE TRADE AREA (AFTA). It may be said as the trial arena before entering into the wider trade arena.

The entrepreneur community having a close interest in the mark use and its legal protection as well as the legal practitioner community concerning the legal services of intellectual property right, sincerely hope that the existence of global improvement in case of administration of mark registration and implementation of legal protection against the unfair competition and mark counterfeiting, as the actual and direct impacts which can be felt upon the effectiveness of the Law No. 19/1992.

# RIGHT ON TRADEMARKS AND LEGAL PROTECTION AGAINST UNFAIR COMPETITION AND THE IMPACTS ON BUSINESS COMMUNITY

## Indonesian Trademark Law

The new Trademark Law now in force in the Republic of Indonesia is Law of 1992 no.19, dated August 28, 1991 published on the State Gazette of 1992 no. 81, with Official Elucidation in Additional State Gazette no.3490. It came into force as of April 1, 1993 (art.90 Trademark Law 1992). It replaces the old Trademark Law 1961 no.21 (art.89 Trademark Law 1992). The implementary Government Regulation no.23 of 1993 was issued on March 31, 1993 regarding the Application Procedure for Mark Regulation. On the same date Government Regulation no.24 of 1993 regarding the classification of Goods or services for registration of mark was issued.

## Constitutive Versus Declarative System

The new Trademark Law is based on entirely new principles than the old Law. The most striking difference is the use of the so-called "active constitutive system" of registration. The registration creates or constitutes the right on the trademark. Without registration, no protection is rendered to a "Mark" (covering "Trademarks" and "Service Marks"). Article 3 of the Trademark Law 1992 reads as follows :

> "The right on mark is the exclusive right, granted by the State to the owner of a mark, registered in the general Register of Marks". Without registration, no right on a mark. "First to register" gives entitlement to protection of the marks.

Differently, the Old 1961 Trademark Law created the right on a trademark by "first use". The first user of a trademark is the rightful owner of a mark, not by first registration. The registration only served as a "legal presumption" of being the first user, and therefore the owner of a Trademark. However, if another party can give evidence that he was first user, then the registration could be annulled. The role of the Trademark Office is more passive, compared with its function under the new Trademark Law of 1992. According to the new system the Register has a more "active" role, as publication and possibility of the third parties objecting to the registration and substantive examination has to be effected, before the mark could be accepted for its registration. The constitutive system of the 1992 Trademark Law is distinct from the "declarative system" Compared with the 1961 Trademark Law the new Trademark Law will give more legal certainty.

**Other Differences Between the Old and New Trademark Law**

Other differences between the 1961 Trademark Law and the new 1992 Trademark Law are :

(1) The 1961 Trademark Law is confined to so-called "company marks and trademarks", which in fact refer to the same matter, that is to say: trademarks. The 1992 Trademark Law however is broader in scope. It covers "service marks".

Therefore the term "Mark" is used as heading of the 1992 Trademark Law. The trademark aspect is also manifested in the term "mark". 8ut the flexible term "Marks" can also cover other mark concepts, such a company marks, service marks, "certification marks", "associate marks" etc.

(2) As mentioned above, the 1961 Trademark Law adhered to the declarative system, where the Trademark Office has a passive role, while under the 1992 Trademark Law this Office is more actively engaged in scrutinizing whether the applicant of registration is really the owner of the trademark, acting in "good faith". The 1961 old Trademark Law is regarded as not guaranteeing enough legal certainty compared with the 1992 Trademark Law. It also created problems in the business world as the first user is regarded as being the owner of the trademark, while the registration is only regarded as giving a "presumption of first use", which could be annulled by others giving evidence of better entitlement based on first use of the respective trademark in Indonesia. Differently, the 1992 Trademark Law uses the constitutives system, by which the first registrant "in good faith" is to be regarded as being the rightful owner of the trademark. Because the system has been changed, under the 1992 Trademark Law it is indicated that branches of the Trademark Office will be established in the regions of the whole territory of Indonesia and not only centered in the capital city of Jakarta (suburb Tangerang) as at present. The branches in the regions will decentralise the Trademark Office duties and give an opportunity to file applications for registration also in the regions outside Jakarta.

Furthermore in order to improve the controlling system in the registration procedure, a Mark Appeal Commission (Komisi 8anding Merek) is to be constituted.

It is also the intention that the possibility to file a claim or complaint against an intended registration could be filed not only before the Jakarta Central Court of First Instance (Pengadilan Negeri Jakarta Pusat) as in the 1961 Trademark Law but also before the other First Instance State Courts, to be stipulated subsequently by Presidential Decree in phases (art.52 sub b Trademark Law 1992). It is also open for claimant to file a claim or complaint through the State Administrative Courts (Pengadilan Negeri Tata Usaha Negara).

It would also be possible for the owner of an unregistered trademark, who has already used it as first user, to file an objection within the announcement period against a registration application.

(3) The registration procedure according to the 1992 Trademark Law consists of several stages. There will be examinations which are not only based on completeness of the formal requirements. A substantive examination is to be conducted (art.25 Trademark Law 1992). This means that a material examination will take place.

(4) Prior to the substantive examination, publication for 6 months of request for registration must be made, so that interested parties could have the opportunity to file an objection. The general public is invited to participate in the registration if they want to do so. (art.20 Trademark Law 1992).

Anybody could in writing oppose the registration of the respective mark. This should be done within the 6 months period of announcement to the public concerning the intended application to register (Art. 22 Trademark Law 1992).

(5) It would also be possible to delete and cancel registered trademarks, based on certain stipulated reasons and procedures (art.5 and 6 Trademark Law 1992).

**Who May Apply to Register ?**

The rightful owner of a trademark "acting in good faith" may apply for registration. Ownership of a trademark could be vested in an individual person or persons or a legal entity (art.4) Indonesian nationals as well as foreigners may apply to register.

4. The Republic of Indonesia as an independant state, which also takes part in the international intercourse, must also maintain international relationship by inter alia respecting the trademarks of foreign citizens.

   This is especially directed to Indonesian businessmen, who are aware of the existence of internationally famous trademark, although they are not/not yet registered in Indonesia, that they should not use trademark similar to the said foreign trademarks, to protect the Indonesian consumers against the mistake of assuming that the goods bearing the trademark come from the same factory as the original foreign trademark.

5. As such the trademark "GUESS" (without question mark) used by defendant I clearly bears similarity in its entirety or in principle with the trademark GUESS ?, INC. of plaintiff, therefore the Directorate of Patent and Copyright, Department of Justice of the Republic of Indonesia, should reject the application for registration of the trademark of defendant I.

The judgement above gives an illustration of the enforcement of former Law of Marks that GUESS ? Inc., has sole/special right to use the trademark in Indonesia to distinguish its products from other people's products. It is proved that the trademark of GUESS ? Inc., is registered in the USA with the United States Patent and Trademark Office under Reg.No. 1.271.896 dated March 27, 1984, based upon the filing date June 14, 1982, it was used for the first time in 1981. Whereas the "GUESS" Trademark (without question mark) was registered in Indonesia with the Directorate of Patent and Copyright under No. 183, 474 on July 24, 1984. GUESS ? Inc., only registered its trademark in his country of origin on March 27, 1981 while "GUESS" trademark (without question mark) regisrered its mark on July 24, 1984, in fact, the trademark of GUESS ? Inc., had been in used earlier i.e. in November 1981 and filed on June 14, 1982.

"GUESS" trademark (without question mark) has in bad faith registered the trademark, which in pronunciation as well as in sound is similar to the trademark and tradename of GUESS ? Inc. The purpose and intention of defendant I is to share the famous trademark and trademark and to mislead the public as to the origin and quality of plaintiff's products.

Further, the purpose and objectives of the Trademark Law of 1961 is to protect the public and the first user in good faith from : Any unlawful act in business practices known as unfair competition which is against public order.

The registration of plaintiff's famous trademark "GUESS" (without question mark) in the name of Defendant I under No. 103.474 is nothing but an inconsistency in the part of defendant II in the application of the Paris Union article 8 and 5 in contravention of the Decision of the Minister of Justice of the Republic of Indonesia No.MO.2-HC.01.01 dated June 15, 1987.

**WELL-KNOWN MARK CRITERIA**

The effort to provide a legal protection for the well-known mark in Indonesia was propagandized formally by the Minister of Justice of the Republic of Indonesia under the Decision of the Minister of Justice of the Republic of Indonesia No.M.02-HC.01.01 year 1987, dated June 15, 1987, concerning the Refusal of Application for Registration of Mark Having Equality with the Well-Known Mark Owned by Another Person. It was formulated in such Decision the limitation on the well-known mark, as follows :

"a well-known mark is a trademark which has been known and used for a long time in the Indonesian territory by a person or body for a certain kind of goods:.

In this Decision, the protection of well-known mark was still limited to the similar product, and the well-known in the territorial scope was limited only to the Indonesian territory.

Furthermore, the Decision of the Minister of Justice of the Republic of Indonesia, No.M.03-HC.02.01 year 1991, dated May 2, 1991, concerning Refusal of Application for Registration of Well-Known Mark or Mark similar to the well-known Mark Owned by Another Person or Owned by Another Body, substituting the Decision year 1987, formulated the definition of well-known mark as follows :

"What is meant by the well-known mark in this Decision is a trademark which has been generally known and used in the goods traded by a person or body, either in the Indonesian territory or abroad.

This decision provided the legal protection more broadly for the well-known mark, namely covering its use in different goods, and its scope of use was not only limited to the Indonesian territory, but also abroad and it was also applicable to the application for renewal and transfer of right.

Actually, the criteria of well-known mark which was obtained from the formulation of articles in the Decision of the Minister of Justice mentioned above was

still less complete, because in its practice there were other factors necessary to be considered prior to deciding to refuse an application for mark registration. Such, does the mark deem as the well-known mark constitute a created word mark or general word mark ? Does such mark constitute or become a part of private name of the owner or constitute a company name of legal entity of the owner ?

The criteria of "well-known abroad" in its practice frequently causes difficulty and damages the Indonesian entrepreneurs. For example, the mark "BELLINI" for cloth was refused its application for renewal because it was deemed equal with the mark "BELLINI" for wristwatch owned by Swiss company, Montres Rolex. In fact, the mark "8ELLINI" for such cloth has been used for many years, and there was no opposition from such Swiss company. Other examples, the mark "LIGO" for cooking oil was refused due to the existence of the mark "LEGO" for children toy; the mark "DURATION" for lubricant was refused its renewal due to the existence of equal mark for pharmaceutical supplies.

The Mark Office which does not have yet a firm standard on criteria of well-known mark is impressed rather "extravagant" in refusing the application for registration of mark owned by an Indonesian person or legal entity. It can be seen from several reasons of refusal to the application for renewal or registration of mark owned by an Indonesian person or legal entity, under the assumption of Mark Office that all foreign marks are well-known marks.

There is a factor of legal mechanism ignored in implementing the Decision of the Minister of Justice of the Republic of Indonesia concerning protection of well-known mark, namely the provisions in the Mark Law of 1961 concerning the opportunity for the owner of well-known mark having the objection if its mark is registered in Indonesia in the name of another person, and then submitting the claim on cancellation of such mark registration. If the owner of foreign mark has no objection on its mark to be registered or used in Indonesia for a different kind of product, what is the reason of Mark Office to refuse the application for mark registration or even the application for renewal of registration of mark owned by an Indonesian person/legal entity ?

"Another factor is a principle of "NATIONAL TREATMENT" followed by the Paris Convention, namely the

principle that foreign citizens should be provided a legal treatment equal with the citizen from the relevant country in the field of mark registration. It means that the foreign citizens are not allowed to be treated discriminatively so that it will damage their interest. The implementation of legal protection on well-known mark which is effected by the Mark Office in certain cases precisely causes a different treatment (damage) if compared with the treatment given to the foreign citizens. It is necessary to be questioned whether other countries also give the equal treatment of legal protection for well-known mark owned by an Indonesian person or legal entity in such countries. Will Malaysia, for example, refuse the application for renewal of registration of the mark "BENTOEL" registered therein in the name of Malaysian citizen because such mark is equal with the internationally well-known mark "BENTOEL" owned by the Indonesian legal entity ?

Another factor that seems undergoing a value friction is a principle of legal "TERRITORIALITY" of mark in connection with the territory of legal protection for the registered mark limited to the sovereignty territory of a country. This principle seems not followed anymore in implementing the criteria for refusal of mark registration based on the existence of "mark well-known abroad." It may be understood if seen from the aspects of global trade and information globalization which cause the Indonesian citizen to know the mark well known abroad from the television programs broadcast in Indonesia through the communication satellite network. However, there is another aspect which should be considered, namely the trade policy of protection from the superpower country which will become the unbalanced charge for the Indonesian entrepreneurs if it should be added with the principle of UNIVERSALITY of mark registration which is self-imposed by Indonesia. This principle of UNIVERSALITY of mark registration contains implication that a mark registered in a country is deemed to have been registered and entitled to obtain the protection also in other countries worldwide. What is happened in Indonesia related to the implementation of criteria for protection of mark well-known in abroad implicitly shows the existence of influence from such principle of UNIVERSALITY. Such principle, actually, has been left for a long time ago, because its implementation causes a great difficulty, therefore it is rather surprised if revives in Indonesia.

Instead of implementing such principle solely without obtaining the equal treatment from other countries, it is better for Indonesia to become a member of Madrid Arrangement concerning the International Registration of Marks.

## COUNTERFEITING AS A FORM OF UNFAIR COMPETITION

The provision of Article 10 bis of the Paris Convention on Protection for Industrial Property Right, describes that a member state of the convention is required to give legal protection for unfair competition to nationalities of the other member states.

The definition of "unfair competition" given in the Paris Convention is as follows :

"Any act of competition contrary to honest practices in industrial or commercial matters consitutes an act of unfair competition".

The unfair competition covers, but not limited to, the following acts :

1. Every act in such a form that cuases a wrong opinion in any manner whatsoever toward an undertaking, goods, or manufacturing trading activities of a competitor.

2. Every untrue and misleading statement in the trading activities in such a form that cause the defamation of reputation of undertaking, goods, or industrial and commercial activities of a competitor.

3. Every instruction or direction if used in the trading activities can be misleading, or causes misunderstanding ot he public on quality, manufacturing process, specialty, use or volume of the goods.

The counterfeiting or falsification of a mark may be classified into the form of the unfair competition into the first category mentioned above. This is because the use of a mark that is wholly or substantially identical with the registered mark owned by another party may cause wrong image detrimental to the owner of the original mark and his customers. The mark counterfeit is a parasitic act, that is, to take advantage for oneself from the exertion of another.

In practice the counterfeiting is carried out by irresponsible parties with the following motives and reasons :

1. To gain profit quickly and definitely, because conterfeit or false mark is usually the mark of goods which are in demand in the market.

2. Not to take a risk of loss in much effort to make a new mark to be well-known because the expenses for advertisement and promotion of goods are usually high.

3. The profit gained from selling the goods bearing the counterfeit mark is much greater than the profit gained from selling the original goods, because the counterfeiter does not need to pay expenses for research and development, advertisement and promotion, and taxes, so that the conterfeiter can give a good discount of price to the buyers or customers.

The above facts can be a great attractive to the busimessmen who tend to do business in parasitic manner of counterfeiting or falsifying mark.

**VARIETIES OF UNFAIR COMPETITION IN RELATION TO USE OF MARK**

There are several varieties of acts in unfair competition in the use of mark, which not all of them can be categorized as counterfeiting or falsification of mark.

"PARALLEL IMPORT", that is, the import of original goods carried out by a third party who is not an authorized importer or an appointed agent. In case of the sole agent so appointed, this parallel import will bring a great loss to the sole agent.

As a rule, in an agency agreement a clause on penalty upon the principal is inserted. If the agent can prove that a parallel import is carried out by the principal, the principal is liable to penalty. This deviation is difficult to prevent, because there are always people who import built-up goods surreptitiously to the local market, in a small volume of hand-baggage or in containers. In this instance, the said act can not be called as counterfeiting, because both the goods and the mark are original. An actual case and dispute was then the case of the 'SONY" built-up televisions which are imported in such a great number that the assembling company suffered from loss.

Counterfeiting of "Trade Dress", namely, counterfeiting of the appearance, color, and form of the package which not including in the part of the registered mark. Recently in practice there are many registrations of creation (work) obtain the protection by virtue of the Law of Copyright for appearance and design of the package of goods with a view to prevent the counterfeiting of "trade dress". Another problem arises if a newcomer registers the said trade dress by combining it with a different mark of word. For example, the case of "Tipp-Ex" versus "Re-Type". The owner of the registered mark "Tipp-Ex" considers that the registration of the mark "Re-type" is the conterfeiting of the appearance and design of package of his goods as originally used on his goods. In this instance, the registration application is granted by the Mark Office because the registration of the mark "Tipp-Ex" does not include a trade-dress, thereby the Mark Office has no legal ground to refuse the registration application of the mark "Re-Type". -
Manufacturing of "Overrun" goods, that is, the manufacturing of the goods using the original mark (registered mark) by the licensee is more than the volume stipulated in the license agreement during the term of the license. This act may not be categorized as mark counterfeiting.

The measure which the licensor may take is only the remedies under the provisions of penalty in the license agreement. Almost similar to the aforementioned act is the sales of goods of "The Remainder of Export" at the local market using the registered mark as ordered by the foreign buyer. Today many of Indonesian companies receive orders to make goods for export using the registered (original) mark. The producer usually makes goods more than the volume ordered and after the goods for export are shipped, there is another part of remaining volume that is sold in the local market. This practice is certainly not expected by the mark owner who orders the goods. Nevertheless, this act can not be categorized as counterfeiting.

Sales of the used goods after being repaired or reconditioned, namely, the original, used goods is repaired or renovated, and sold as if it is new which is continuously used the original mark. This act can not be categorized as mark counterfeiting because the goods or the mark is original, it is only used goods. Actually, the party directly aggrieved, because the condition of the used goods so repaired or reconditioned is similar to the new goods, therefore it defames the reputation of the quality of goods using the said mark and causes to lose

the confidence of the consumers in the said quality. Coinciding with the increase of the mark counterfeiting acts, the need for the adequate legal instrument arises, the legal instrument to prevent the counterfeiting of mark. During the time the Law No. 21 of 1961 was in effect, the punishment applicable to the counterfeiting of mark was referred to the Penal Code which lays down a less severe punishment, and as a rule, the punishment pronounced by the Court is probation. By the operation of the Law No. 19 of 1992, it is hoped that the resolution of the problem of mark counterfeiting can be carried out effectively and equitably.

**OTHER LEGAL MEASURES FOR PROTECTING UNFAIR COMPETITION**

A legal remedy against unfair competition is provided by a torts provision of the Indonesia Civil Code, article 1365. To some extent, trademark owners have successfully relied on this provision.

Civvil Code article 1365 states that :

"Every unlawful act which causes harm to another person shall obligate the person whose act has given rise to said harm to compensate for said harm.

Since 1929, this provision has been interpreted in a broad way.
"An unlawful act is an act or omission which violates the rights of another person or is in contravention of the legal obligations of the actor; or is contrary to morality or to the diligence which is due oneself or other persons in social intercourse.

The body of colonial jurisprudence on this torts provision is considerable.

The unauthorized use of a trademark constitutes an unlawful act, as such use for one's own needs is in contravention of the rules in the commercial world.

Though not explicitly stated in the EVEREADY case, an advertisement containing a picture (drawing) or trademark of another person may be an act of unfair competition.

Civil Code article 1356 (unfair competition) has successfuly been relied upon in some cases by aggrieved service mark owners. If a service mark (logo) is exactly imitated and used as a trademark, this constitutes bad faith on the part of the counterfeiter. Procedural aspects, however, make the potentially valuable Civil Code article 1365 a weak instrument of trademark

protection, particularly if the disputed trademark is registered.

**RE-EXAMINATION (RECONSIDERATION) OF SUPREME COURT DECISIONS**

According to Law No. 14 of 1985 of the Republic of Indonesia concerning the Supreme Court article 66-67, decisions which are final may upon request be re-examinated under certain condition. The request must have a basis in at least one of the following that:

- the decision was based on lies or deception by the opposing party which was discovered after the court's decision, or it was based on evidence which has afterwards been declared false by a criminal judge;

- after the court's decision, documents of evidence having decisive characteristics were discovered which could not be found at the time the case was looked into;

- something was granted which had not been claimed or was more than claimed;

- part of the claim(s) had been decided whithout stating (text: considering) the reasons (therefor);

- decisions contradicting each other had already been rendered concerning (text: between) the same parties as to the same problem on the same basis by the same law court or by law courts of the same instance;

- an error by a judge has become evident or an obvious mistake was found in a decision.

Some of these reasons have not yet been tested in Trademark Law cases. The omission in a (lower) court decision to consider whether the request for the cancellation of a trademark registration is lodged within the grace period was seen to be an evident mistake and, accordingly, the former decision was revoked. In this decision (Lily Ball case Supreme Court No. 36 PK/Pdt/1984 (February 16, 1985) PP.8/9 and 13/14 (re-examination of Supreme Court No. 3137 K/Sip/1982 (November 30, 1983)), the Supreme Court pointed out that it is invariable Supreme Court practice to assume that as long as a trademark is not published in the Supplement to the State Reports, a case is not a Trademark Law case for which the District Court of Central Jakarta is competent.

Another re-examination (reconsideration) decision (Silver

case, District Court of Central Jakarta No. 51/1980 G June 17, 1980, PP.6-7 Confirmed by Supreme Court No. 2047 K/Sip/1981 (December 24, 1983)), contradicts the above decision, by stating that decisions of the Supreme Court cannot fall under "new evidence" as intended by the Supreme Court Regulation No. 1, 1982. (The relevant provision in the Supreme Court Regulation of 1982 is the same one as in the Supreme Court Law of 1985). This argument is not convincing, as the non-consideration of the grace period to which the cited jurisprudence refers could have been looked upon as a mistake. It may be questioned whether such a non-consideration is an obvious mistake at all if it is only based on a different interpretation of the law, which may mean that it cannot be viewed as "new evidence".

Both decision could have been decided the other way round, because in the Silver case the trademark had already been published and the grace period has obviously passed, so that the non-consideration of the grace period may be seen as an evident mistake; whereas in the Lili Ball case, the grace period had not begun according to the Supreme Court's opinion.

A request for re-examination may be submitted only once. It does not postpone or stop the execution of the court's decision.

CRIMINAL ACTIONS

Occasionally, trademark owners resort to penal provisions against trademark infringements. However, in the cultural context of Indonesia, such an action should only be pursued after the merits are thoroughly considered and the advantages of a civil action are weighed against the advantages of a criminal action. If a judgement of a criminal court can be obtained, the loss of the face caused by a (suspended) sentence may have an adverse effect. The trademark infringement may not stop if only a fine is involved. In the case of Criminal Code article 382, the maximum fine is Rp. 900--at present less than one US dollar. It would be useful if, in future, fines are increased and more emphasis is put on the element of loss to the competitor who needs to be protected.

The following criminal acts may be involved in trademark infringements :

- Criminal Code article 256 (forgery of marks)

- Criminal Code article 378 (fraud provision)

In one case, a trademark counterfeiter was found guilty of committing the felony of swindle. The products concerned gave the impression that they were made abroad, though they were manufactured in Indonesia.

- Criminal Code article 380 section (1) (defrauding the public as to works of art, literature, science by using a false mark or name)

- Criminal Code article 382 bis (fraud provision)

  "Anyone who commits a dishonest act to deceive the public or a person with the intent to obtain, maintain or increase proceeds from trade or industry belonging to him or some other person, shall be punished for the crime of unfair competition with a sentence of confinement for at most 1 year and 4 months or a fine of at most Rp. 900 if said act could give rise to harm to his competitor or the competitor of said other person". The unauthorized use of a trademark may be a dishonest act in the sense of article 382 bi.

- Criminal Code article 383 (ground as to the delivery of goods other than those agreed on, or as to the delivery of goods with respect to their kind, quality or quantity).

- Criminal Code article 393 (unlawful use of, interalia a trademark on the goods themselves or on the wrapping material).

## OTHER REMEDIES OUTSIDE COURT

### Buy-out of registered trademark owner

The registered owner of a trademark in Indonesia may be willing to assign the trademark registration to another party (i.e., to a foreign company) who is interested in acquiring the right to the mark in Indonesia or have the trademark registration cancelled. If a negotiated buy-out can be concluded, a notarized deed of assignment or cancellation should then be executed between the parties concerned. This should be lodged with and registered by the Registry before any settlement monies are paid.

### Police actions

Sometimes search and seizure raids are conducted, in particular if large scale counterfeiting is involved. Such actions are the first step to criminal prosecution. They arise from the fact that constraints in the legal

system do not often allow fast civil actions to be undertaken on a request by an aggrieved party. In Indonesia, there is no ex parte injunction (i.e., an injunction that does not warn the infringer beforehand).

## INTERNATIONAL CONVENTIONS

### Paris Convention for the Protection of Industrial Property

Indonesia is a signatory of the Paris Convention articles 13-30 (Stockholm version, 1967). It can be said that in fact, viewed from the path of history, the adherence of the Republic of Indonesia to the London version of 1934 is greatly influenced by the principle of concordance which was formerly in force in the Netherlands Indies.

The problem is that the colonial government of the Netherlands-Indies acceded to the Paris Convention in 1948, after Indonesia declared its independence in 1945. The Republic of Indonesia does not feel bound by legal acts of the former "quasi-colonial" administration between 1945 and 1950. In other words, the transitory provisions of the 1945 Constitution may only be soncidered valid for those laws before 1945.

At present the Ministry of Justice is of the opinion "That Indonesia is a member of the Paris Union. Consequently, Indonesia has to implement those articles of the Paris Convention concerning trademark law, e.g., national treatment, priority rights, unfair competition, etc. The reference to national treatment or unfair competition (in the London version of 1934) appears to strengthen the view that Paris Convention article 6 bis may officially be considered applicable. In addition to the official view above and in connection with the provision of Paris Convention article 6 bis, section 1 as to trademark protection, "each contracting state must refuse registration and prohibit the use of trademarks which constitute a reproduction, imitation or translation, liable to create confusion if a trademark considered by the competent authority of that State to be well-known in that State.

As the elucidation of Article 29 of the Patent Law (Law No. 6 of 1989) refers to the substantive provisions of the Paris Convention (articles 1-12) there should be no doubt that Indonesia is bound by these provisions, at least in respect to the London version. A Presidential Decision reserves Indonesia's right to accede to the Stockholm version (articles 1-12) at a later date.

## RECOGNITION BY THE COURTS

Nevertheless, it is very difficult for a foreign owner of a well-known trademark to rely on Paris Convention article 6 bis, section 3 in Indonesian lawsuits. This article states that "no time limit shall be fixed for requesting the cancellation or the prohibition of the use of marks registered or used in bad faith". However, Indonesian courts are very reluctant to apply this article directly.

Occasionally courts disregard the grace period for the cancellation of a trademark registration in the context of well-known and other trademarks used in bad faith. This disregard probably has its origin in Paris Convention article 6 bis, section 3. These courts may also have been influenced by the Tancho case, which states that protection of domestic and foreign trademarks is to be given only to first users in good faith, not to those in bad faith.

## CASE STUDY

There is an interesting case to discuss herien. It is interesting because the counterfeiters try to seek protection under the veil of the law. This is the case of counterfeiting and falsification of the mark "GS" used on the accumulator (storage battery) for cars and motor bicycles.

At first there were several counterfeiters of the strorage battery using the marks "Tornado" and "Yuasa" who were sentensed by the Judge of the District Court in Central Jakarta in September, 1982. This bitter lesson seems to make several persons among them find a way in order that their counterfeiting of the mark of well-known accumulator will be beyond the reach of the law. Their logics is that if the mark used is a mark registered in the name of some one else, the said act is not unlawful.

One of the well-known accumulators is of the mark "GS" that comes from Japan. This mark "GS" has been used and registered in Indonesia since the time of the Netherlands East Indies (the period of Dutch rule). And it was registered for the first time in the period of independence under the number 61584 dated August 3, 1957 under the number 3999 dated July 21, 1958.

On the request of one of their attorneys in 1975, the Mark Office gave an answer basically stating that the marks with the letters "GS" and "NS" had no distinctive character to be registered as mark, because they consist

of the letters only (article 5 of the Mark Law of 1961). The Mark Office seemed not to check the General Register previously. The letter of the Mark Office was misused by the persons concerned as to file the registration application for all kinds of variations of the Mark "GS" and they were granted the registration. Among the marks are :

1. "GOSO", under number 148988, dated August 30, 1980.

2. "GISI", under number 159309, dated September 1, 1981.

3. "GISO", under number 164948, dated July 1, 1982.

4. "GS Gold Shine", under number 173240, dated June 9, 1983.

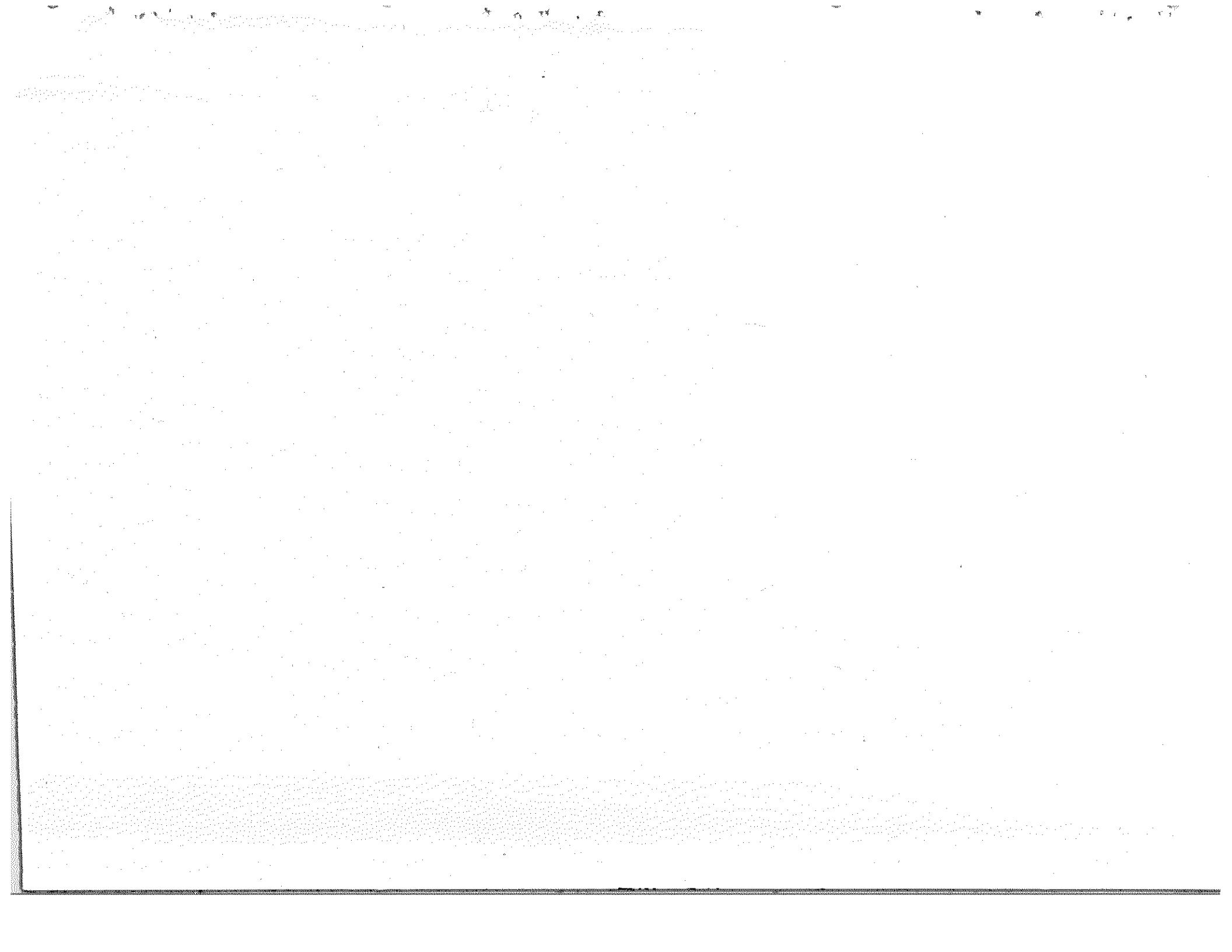
5. "GS guna Surya", under number 175038, dated August 29, 1983.

In the actual use of the marks, the person concerned changed the marks in such a manner that only the letters G and S were featured conspicuoucly. The impression made so featured is "GS", as if the mark of the batteries.

This situation was obiviously opposed by the owner of the original mark "GS". At that time the other variatons of the unregistered mark "GS" were also sold, such as "GS GOLDEN STAR", "GS GOLD SHIP", "GS GOLDEN SUN", "GS GASUSAINE", "GS GREAT STONE", "GIS", "GUS" and others.

In order to settle this problem, the owner of the mark "GS" was compelled to take every possibly legal measures, namely, to file a civil suit claiming the cnacelation of the registration of the substantially identical marks, and report to the police as it is a criminal act of mark counterfeiting. The use of the registered mark that departs from the procedure of registration, if a mark is found identical with the registered mark owned by another individual or corporate body, may be categorized as he counterfeiting or falsification of mark and the counterfeiter is liable to punishment.

The loss suffered by the producer of the "GS" mark battery as the result of the unfair competition was substantially great, both the loss of part of market share and expenses for the legal settlement of the counterfeiting and falsification of the mark.



## CONCLUSION

1. Globalization has spurred the economy to be more open, unlimited to any country, and the national market can not be separable from, and even has become an integral part of the international market, which in turn may pause a conflict over unfair competiton.

2. The Indonesian Trademark Law of 1992 is, as a primary legal source, applicable at present, and has its structural basis in the 1945 Constitution and philosophical ideological basis in Pancasila (State ideology). In addition, the Trademark Law of 1992 is constituted as a special civil law (Lex specialis), which if viewed from its content, stipulates the substantive as well as the formal trademark.

3. The other important legal source for the Indonesian Trademark Law is the Paris Convention for the Protection of Industrial Property of 1883 which had been amended many times, lastly was in Stockholm in 1967. Indonesia ratified the Paris Convention (London Act version of 1934) on 24 December 1950, with the understanding that such ratification should be effective retroactively from 27 December 1949. In 1979, the Indonesian Government had also ratified the Paris Convention (Stockholm) 1967 version) through Presidential Decree No. 24/1979.

4. In order for a company to be free from unfair competition it is necessary to have a legally registered trademark.

   The main problem in the protection against trademark infringers, is that law enforcement is always a hindrance and always costs much.

   The Indonesian Trademark Law has adopted the so-called "active constitutive system" of registration. The registration creates or constitutes the right in the trademark. Without registration, no protection is rendered to a "Mark" (covering "Trademark" and Service Mark").

   The Government will automatically protect trademark registered legally and will take necessary efforts and action against the infringers.

5. Any infringement of a registered trademark is an action which conflicts with the law. The infringement of somebody else's trademark is considered to be a wrongful act. The infringement trademark is ruled in Paragraphs 81 and 82 of the Trademark Law No. 19 of 1992. The infringement is primarily aimed at well-known marks and mostly are those of foreign products.

6. Limitation to Cancellation

   For the owner of unregistered trademark, if at anytime a dispute arises, the procedure seems to be taken is limited to the claim of mark registration cancellation (article 56, paragraph 3, of the Law No. 19 of 1992).

   This matter may arise if a foreign trademark well-known in Indonesia not registered at the Trademark Office has a characteristic substantially or wholly similar to the registered trademark in another's name. By virtue of the said article, the owner of foreign trademark must first apply for registration of the said trademark and after receiving the notification on the filling date he/she may lodge the claim of the cancellation.

7. No Compensation be Claimed

   If a foreign trademark not registered at the Trademark Office is in Indonesia without any connection with the owner, in other words, the said foreign trademark is pirated, since it is not registered the act of pirating may not be deemed as the violation of the right to trademark.

   Therefore, the right of the trademark owner is not protected and by virtue of Article 72 of the Law No. 17 of 1992 he may file no claim for damages against the person who has conterfeited the said foreign trademark.

   Nevertheless, the owner of the foreign trademark still may claim for damages by virtue of Article 1365 of the Civil Code concerning the illegal act. Notwithstanding the foreign trademark is not registered, because of the piracy has been actuallly committed, the owner then feels to have been injured. The person committing such fraudulent act is not accused by Article 72 of the Law No. 19 of 1992, but he may be accused by virtue of Article 1365 of the Civil Code.

8. In today's world it can not be said that a product and the trademark under which it is sold abroad does not have a reputation or goodwill in countries where it is not available. The knowledge and awareness of it travels beyond the confines of the geographical areas in which it is sold.

9. The developing countries, including Indonesia, have been given the time of 5 years commencing from the TRIPs signed in 1995 to settle every form of its laws so as to adjust to the Trade Related Aspect of Intellectual Property Rights (TRIPs). So, in 2000 Indonesia will have had the laws complying with the TRIPs. Having such laws, Indonesia would be free from the trade barrier.

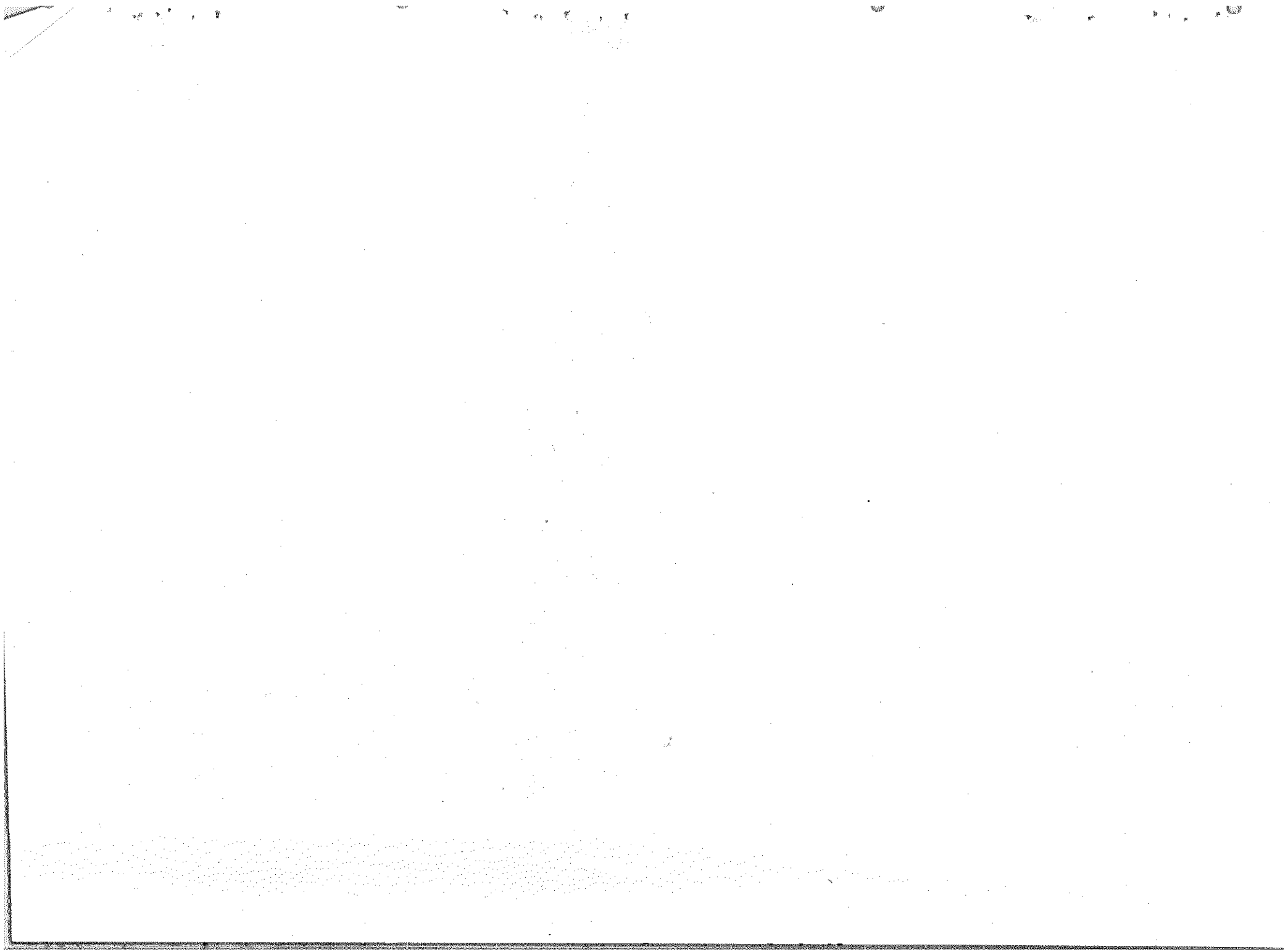
   It is hoped that before the deadline of the year of 2000, all forms of the said laws, including their regulations will have been completed, so that the Indonesian international trade with regard to the Intellectual Property Rights will go along smoothly.

   Indonesia has to increase its ability of perception towards the Intellectual Property Rights. Honestly, Indonesia is still lagging behind in the Intellectual Property Rights which grow and develop.

   Indonesia has to catch up for its underdevelopment by determining the priorities, such as education for the government officials and the community. Besides that, Indonesia has to organize its laws and regulations.

   Indonesia was much accused of violating the Intellectual Property Rights, because has not yet much understood the new matters arising from the Intellectual Property Rights. In facing the implementation of Intellectual Property Rights, for Indonesia it constitutes a burden which has to be confronted.

   This is evidenced by the willingness of Indonesia having signed the TRIPs in WTO (World Trade Organization). Although it is hard for Indonesia as a developing country, but since it has become an international consensus, Indonesia is prepared to enforce the TRIPs.



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