

# Intellectual Property Right Law Aspects of Tradition of Trademarks Passing Off Comparative Study of Brand's Law in Investment in Indonesia

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**Abstract**—Indonesia has officially stepped up to Intellectual Property Rights since 2000 marked by the Agreement on the Establishment of the World Trade Organization (WTO). The protection provided by Law Number 15 Year 2001 regarding Trademarks for well-known brands is a recognition of the success of brand owners in creating an exclusive image of their products obtained through advertising or selling their products directly.

The rules in the implementation are expected to be effective, as developments are very fast, problems are always followed by legal aspects in taking action or as a guide. Legal protection for brand owners is important because there are many cases of violations of well-known brands both domestically and abroad that are carried out by irresponsible parties which is very detrimental to the owner of the famous trademark. Legal protection for legitimate trademark owners is regulated in the Trademark Law which is intended to provide exclusive rights for the trademark owner.

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**Keywords**—Intellectual Property Right, Breach of Passing Off Trademark, Comparative Trademark Law

## I. INTRODUCTION

The legal role of Intellectual Property Rights (IPR) becomes very important, business competition is increasing both at home and abroad in the current era of global trade, especially in maintaining fair business competition and to prevent the possibility of fraudulent competition in the form of fraudulent, piracy, as well as the utilization of the use of Intellectual Property Rights without the rights of the actual owner. Intellectual Property Rights, abbreviated "IPR" or the acronym "IPR", is the equivalent of a word commonly used for Intellectual Property Right (IPR), which is a right that arises for the results of thinking the brain that produces a product or process that is useful for humans[1]At present various technologies have increasingly

advanced, in the era of globalization. everyone can use technology easily to do business to meet their needs. In its development, at least Intellectual Property (IPR) in the form of copyright, trademark, geographical indication, industrial product design, patents, integrated circuit layout design, and trade secrets.

Brands are often used in terms of publicizing products through mass media such as in newspapers, magazines and tabloids as well as through electronic media such as television, radio and others. Along with the increasingly rapid competition in the world of trade in goods and services, it is not surprising if the brand has a very significant role to be recognized as a sign of a particular product in the community and also has the strength and benefits if managed properly. Trademarks made by business people or companies aim to distinguish the goods or services produced.

The mark here may be referred to as an identification of the origin of the goods or services related to the purpose of its manufacture. For brand producers here, it serves as a guarantee of the value of the products related to quality and customer satisfaction. A business today has improved a lot, especially a brand can lead to unfair business competition because through the brand of a product or service of a similar type can be distinguished from its origin, quality and guarantee that an original product. Barton Beebe Benajmin N related to IPR revealed that "Schechter's original conception of antidilution protection was that it was relatively easy to put into practice. Uniqueness is an absolute concept. A mark is either unique or it is not. If a senior mark is unique in the marketplace and a junior mark appears that is identical to it, then the junior mark will destroy the senior mark's uniqueness. Thus, the test for dilution was an essentially formal one. The judge need only consider the identity or close similarity of the parties' marks. If they were identical or closely-similar, then the loss of uniqueness could be presumed. Where the consumer confusion test was a messy and unpredictable empirical analysis centered on the consumer, the trademark dilution test was a simple and relatively predictable analysis centered on the trademark. And like a true trademark purist, Schechter believed that the cynosure of the law should be the latter rather than the

formeanalysiscentered on the trademark. And like a true trademark purist, Schechter believed that the cynosure of the law should be the latter rather than the former”.[2]

Trademark rights related to Law Number 15 Year 2001 Concerning Trademarks, it can be concluded that those entitled to obtain legal protection for disputes over trademarks are the first users and registrants of the mark used. Brand is a form of IPR used to recognize and distinguish product goods or services. However, the brand is very vulnerable to be copied by irresponsible parties. As was the case in 2015 Pierre Cardin where the case reached the Supreme Court's appeal in the case ruling Number 557 / K / Pdt.Sus-HKI / 2015 that Alexander as the owner of the local Pierre Cardin brand had a differentiator in his product, the Lexus Brand from Toyota Motor The Corporation also experienced problems in 2014 when the case arrived at trial with case number 450\_K\_Pdt.Sus-HKI\_2014, and then another year in 2015 a quite lively discussion topic was the case between Inter IKEA System which is a Dutch company against local-owned IKEA. In decision number 264 K/ Pdt.Sus-HKI/ 2015, the panel of judges won the local IKEA party from Surabaya.”[3]The existence of brand impersonation such as passing off has an impact on material and non-material losses. Against the perpetrators of trademark infringement, trademark rights holders can take legal protection measures stipulated in Law Number 15 of 2001. One of the remedies implemented is through arbitration or alternative dispute resolution. The step resulted in a decision that is the cessation of all acts relating to the use of the brand being copied.

The protection granted by the Trademark Law to well-known brands is a recognition of the success of brand owners in creating an exclusive image of their products obtained through advertising or selling their products directly. The theory of "pollution" of famous brands (Dilution Theory) does not require evidence that there has been a mistake in assessing a violation of a famous brand. Protection is based on the commercial or selling value of a brand by prohibiting the use of which can tarnish the exclusive value of the brand or tarnish the appeal of the famous brand. In this connection because the registrant is not the real owner considered piggybacking a famous brand (passing off), utilizing the promotion of a famous brand to rake in a profit for self-interest for free - only resulting in many losses suffered by the owner of the original brand.

Based on the explanation above, the authors are interested in conducting research on the Legal Aspects of the Intellectual Property Right on Trademark Infringement Comparative Study of Passing Off Trademark Law in Investment in Indonesia. Based on the background of the problem above, the formulation of the problem can be drawn, namely: "What is the legal aspect of the Intellectual Property Right for violations of the brand passing off comparative study of brand law in investment in Indonesia?"

## II. METHOD

The research method used to address the problems that have been formulated in this legal research is normative juridical. Normative legal research methods or doctrinal legal research methods means the existing problems are examined based on laws and regulations and existing literature.[4]

Normative juridical research or library research is focused on examining the application of rules or norms in positive law, and includes research on legal principles, research on legal systematics, research on vertical and horizontal synchronization, comparative law, and legal history.[5]A Normative Legal Study is written legal research or doctrinal legal research, which works to find the right answers by proving the truth that is sought from legal prescriptions written in the books of law. In short, normative juridical research addresses doctrines or principles in the science of law.[6]The data in the article is related to the Legal Aspect of Intellectual Property Right on Trademark Infringement Passing Off Comparative Study of Trademark Law in Investment in Indonesia.

The method of thinking used is the method of deductive thinking, namely the way of thinking in drawing conclusions drawn from something of a general nature that has been proven that he is right and the conclusion is intended for something of a special nature.[7] Normative research is used with a statutory approach.[8]The method of data analysis is carried out by collecting data through a review of library materials or secondary data that includes primary legal materials, secondary legal materials and tertiary legal materials, both in the form of documents and applicable laws and regulations relating to normative juridical analysis of the protection of passing brands off. To analyze the legal material that has been collected, in this study using qualitative data analysis methods namely normative juridical presented descriptively, namely by describing and improving a policy related to the Intellectual Property Right Legal Aspect of Trademark Infringement Passing Off Comparative Study of Trademark Law in Investment in Indonesia then conducts an assessment whether its application is in accordance with its normative provisions.

## III. RESULTS AND DISCUSSION

Competition in the economy in the international world requires Indonesia to continuously improve its business in producing products that are highly competitive both in terms of quality and technology. The Indonesian government has demonstrated its ability to support this competition. One of them is that the government has seriously assisted entrepreneurs and the community in developing intellectual property rights. This intellectual property is a very important thing to realize its existence in improving the quality and our competitiveness in the world of international trade. Indonesia needs to manage its intellectual property rights in a modern way and be able to compete with other ASEAN members. It is hoped that IPR will be able to become one of the locomotives

that drive the Indonesian economy. "Intellectual property rights is the name for a collection of rights created by law, which are based on the achievements of creative mental work and industrial marks. The intellectual property rights protected under law mainly include copyright and related rights, trademarks, geographical indications, industrial designs, patents, layout-designs (topographies) of integrated circuits, protection of undisclosed information and control of unfair competition practices in licensing, etc"[9]

The legal protection of industrial property rights (industrial property rights) is called the "first to file system" or the constitutive system, meaning that registrants are first given legal protection or this registration system is based on the first registration. In Indonesia, a brand is an Industrial Property Rights in its laws governing IG. The term IG or Geographical Indications has been used a number of times in negotiations between WTO participating countries, so that it was finally agreed to be included in the TRIPs agreement. Before the TRIPs agreement was successfully agreed upon, the terms used for IG were of various kinds. The function of trademarks, commonly referred to as signs, business brands, brands of goods, brands, and trademarks, is initially to distinguish different sources of products or service providers, but trademarks may also have other connotations. Famous trademarks, also known as well-known brands, are trademarks with great popularity and reputation in certain fields. Their function goes far beyond just to differentiate the source of the product or service provider; they also represent a rich connotation and comprehensive competitiveness. Trademarks are a type of intellectual property rights protected by law and well-known trademarks are intellectual property rights that are even more valuable, and therefore more vulnerable to violation. Therefore, well-known trademarks require broader and stronger legal protection.

The dishonest competition is carried out by entrepreneurs who do not in good faith by producing goods using a brand that is widely known in the community that is not their right. Sanctions in accordance with Article 90 of the Trademark Law against infringement of trademark rights which states "Anyone who intentionally and without the right to use Trademarks is the same as the whole with other parties' registered Marks for similar goods and / or services that are produced and / or traded, convicted with imprisonment a maximum of 5 (five) years and / or a maximum fine of Rp. 1,000,000,000.00 (one billion rupiah)". Dishonest competition (counterfeiting and impersonation of wellknown brands) can result in reducing sales turnover thereby reducing the highly expected profits from these more well-known brands. It can even reduce people's trust in the brand, because consumers assume that brands that were once believed to have good quality have actually started to decline in quality. Violations of the rights to these brands are also very detrimental to consumers because consumers will obtain goods or services that are usually of more quality low compared to the well-known original brands, sometimes the fake production endangers the health and lives of consumers. In the past,

brand infringement was done by putting the brand and logo exactly the same as the original, counterfeiting, the brand is the same as a whole. Now the use of brands that are similar to other brands that have been registered as well as the use of the same brand and / or similar to other brands, causing misperceptions in the minds of the public has begun to bloom. The brand violation mode has moved to a more sophisticated level. This brand violation is called passing off. "The question of protecting the reputation of foreign traders has always been contentious in passing of cases. This article argues that a liberal "softline" approach (recognized in India and most other Commonwealth jurisdictions) works better than the English "hardline" approach, not least because of certain practical issues in India. Yet, there have been concerns that the softline approach may need to be moderated. This article discusses three recent cases raising the bar for foreign traders claiming a protectable reputation (of the U.K. Supreme Court, Singapore Trade Marks Registry and the Indian Supreme Court). The article disagrees with the reasoning in each of these cases, arguing that the Indian Supreme Court's decision is especially problematic and undermines several Indian precedents recognizing the soft-line approach"[10]

Passing off is based on the intention to get a shortcut so that the product or line of business does not need to require efforts to build a reputation and image from the beginning, but it also has the potential to deceive consumers and cause public confusion in the community about the origin of a product. The existence of this passing off, the basic provisions violated namely Article 3, Article 4, and Article 5 of the Trademark Law. In addition to special provisions regarding the mark, passing off actions may also be subject to criminal provisions, because the pass-off action is fraught with fraudulent elements. This is as stated in Article 382 bis Chapter XXV of the Indonesian Criminal Code concerning fraudulent acts. "It is a need of international community to have a standard international law in the field of Intellectual Property Rights. It is therefore the contracting parties of TRIPs Agreement must comply with the provisions of TRIPs Agreement which create the way of the standard legal protection of Intellectual Property Rights among the member countries. The Madrid protocol offers a trademark owner the possibility to have his trademark protected in several countries by simply filing one application directly with his own national or regional trademark office. An international trademark so registered is equivalent to an application or a registration of the same trademark effected directly in each of the countries designated by the applicant. The protection provided by an international registration is the same as that of a national registration issued by a designated country. The centralized nature of the international filing system can provide considerable benefits in convenience and cost over the filing of separate national applications. So far the Indonesian Law No. 15 of 2001 on Trademark provides no provisions for international registration of a trademark. It means that the Law No. 15 of 2001 is of less interest for the trademark

owners. It is therefore necessary for Indonesia to amend the Law No. 15 of 2001 in view of the content of the Madrid Protocol relating to international registration of trademark, so that the harmonization of Indonesian trademark law with the Madrid protocol will benefit not only the trademark owners but also the government of Indonesia.[11]

Preventive and repressive legal protection which is focused on efforts to prevent the famous brand from being used incorrectly by others. These action efforts are as follows:

1. Certainty of Regulations on Famous Trademarks The certainty of regulating famous brands here relates to legal material, namely the laws and regulations regarding the mark itself as regulated in the Trademark Law.
2. Registration of Trademarks To obtain the rights to a mark must go through a registration mechanism. Registration of the mark is a legal protection for the trademark owner.
3. Refusal of Registration by the Trademark Office Through the Trademark Law, the mechanism of legal protection of well-known trademarks other than through the initiative of the trademark owner to register the mark, can also be taken through the refusal by the Trademark Office to request the registration of the same mark in principle or in whole with a well-known mark. If there is a trademark registration carried out by another person by imitating an existing well-known mark, it will be rejected by the Trademark Office (Article 6 paragraph (1) b and paragraph (2) of the Trademark Law).
4. Cancellation of Registered Trademarks To protect the legal trademark owner. It can be done by canceling registered trademarks that violate the trademark rights of others due to registration errors made by Trademark Officers, a mark that should not be registered but is finally registered in the general Register of Marks that endorsed the mark.

Civil law protection is also given to legitimate brand holders. If the brand rights have been held, then according to the Indonesian brand legal system, the trademark holder will get legal protection. This means that if there is a violation of the right to a trademark, the trademark holder can file a lawsuit against another party who has violated the right to the trademark. This claim is intended to obtain compensation and termination of all acts related to the use of the mark. The claim is filed in the Commercial Court (Article 76 paragraph 1 and paragraph 2 of the Trademark Law). Registered trademark owners receive protection for violations of their trademark rights in the form of compensation claims (and claims for cancellation of trademark registration) or based on criminal lawsuits through law enforcement officials.

The right to the mark can be given to other parties by the owner of the registered mark to another party through an agreement which contains the granting of the right to use the mark, both for all or part of the types of goods and / or services that are registered within certain terms and conditions. Please note if the transfer referred to in points a, b, and c of the applicable provisions are still pluralism. Inheritance laws, grants, and wills have not yet been applied unifiedly, they are still different for each population group.

Some are subject to customary law, some are subject to Islamic law, and some are subject to civil law contained in the Civil Code. The transfer of rights to a Registered Mark with an agreement must be in the form of an agreement deed. The transfer of rights to a registered Mark shall be accompanied by supporting documents including a Certificate of Mark which supports the ownership of said rights. Transfer of rights to Registered Marks must be requested to register with the Trademark Office to be recorded in the General Register of Marks. The diversion that was recorded earlier was announced in the Official Gazette of Trademarks. Transfer through agreement in principle adheres to the principle of freedom of contract. Then the conditions that must be fulfilled must be considered for the validity of an agreement (Article 1320 Civil Code) and other general conditions listed in Article 1319 of the Civil Code.

The protection provided by the Trademark Law on well-known brands is a recognition of the success of brand owners in creating an exclusive image of their products obtained through advertising or selling their products directly. The element of good faith also needs to be considered in the protection of well-known brands. In this connection because the registrant is not the actual owner considered piggybacking on a famous brand, utilizing the promotion of a well-known brand to rake in a profit for his own self-interest which only results in the amount of loss suffered by the original brand owner. Passing Off protects all those things. Other competitors / business actors cannot use brands, writings, packaging, impressions or other indications that encourage buyers to believe that the goods they sell are produced by others. But passing off is rarely used in solving cases of reputation violations in Indonesia. Determination of a brand as a well-known brand, is not only well known in foreign countries owned by foreign parties but also local brands owned by local entrepreneurs who are considered famous for certain circles, or the general public. In the implementation of the Trademark Law, or in practice, to prove a trademark is well-known, often with the promotion that is quite frequent and used effectively sometimes followed by the requirement that the mark has been registered in various countries, for example at least 3 countries. However, the criteria for a well-known mark in the elucidation of Article 4 of the 2001 Trademark Law are only based on the general public's knowledge of the mark in the relevant business field.

#### IV. CONCLUSION

Trademark infringement can be concluded through a way of impersonating a trademark (having similarities in principle with other brands) and falsifying a trademark (having similarity with the other brands). Legal protection for owners of legitimate brands is regulated in the Trademark Law which is intended to provide exclusive rights for the trademark owner. Legal efforts that can be pursued by the rights holders for the trademark that is violated can be done based on civil law or criminal law. Indonesia is currently a constitutive system, therefore it is recommended for business

actors to quickly register trademarks and / or service marks with the Directorate General of Intellectual Property Rights. The trademark holder should immediately file a lawsuit in court if there are indications of trademark violations committed by other parties so that the losses suffered by the manufacturer or the consumer are not even greater. The 2001 Trademark Law is only based on general public knowledge about the mark in the field of business concerned. In the implementation of the Trademark Law, or in practice, to prove a trademark is well-known, often with a fairly frequent promotion and used effectively sometimes followed by a requirement that the mark has been registered in various countries, for example at least 3 countries.

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