LEGAL PRACTICES IN TRADEMARK VIOLATION AND PROTECTION OF LOCAL COMPANIES IN INDONESIA

Ariella Gitta Sari
Lectere at Faculty of Law, Kadiri University, Indonesia
Email- elladosen87@gmail.com

Rizki Yudha Bramantyo
Lectere at Faculty of Law, Kadiri University, Indonesia
Email- rizki_bramantyo@unik-kediri.ac.id

Abstract- Multiple brand disputes often occur throughout the world and the majority involve disputes between foreign companies and local companies. The purpose of this study is to provide an understanding of the importance of legal literacy, trademark protection and intellectual property rights for local companies in Indonesia. Using a normative juridical approach, research delves deeper into the implications of cases of trademark infringement with foreign companies. Based on the results of the study revealed that local companies must have adequate literacy regarding trademark law and IPR in Indonesia. This is done so that local companies can avoid disputes with foreign companies, especially companies that have well-known brands. Carelessness in registering trademarks can have an impact on the emergence of a lawsuit, the cancellation of trademarks of local companies and will result in substantial losses. Therefore, in addition to safeguards, transformation of innovation strategies and technology implementation is expected to be able to minimize cases of brand violations by local companies.

Keywords: Juridical Law, Trademarks, Local Companies

I. INTRODUCTION

Protection of trademarks is carried out in almost every country in the world. As the effect of trademark protection on corporate profits and strategies based on the 1996 Federal Trade Dilution Act, which has an impact on increasing the company's operating profit and reducing R&D spending, is able to produce fewer patents and new products.[1] Rapid market changes will also affect the country's economic conditions. Therefore, serious attention in managing innovation and integrating technological change in the company's business plans in the future will be needed.[2]

Consumer protection and local companies related to trademarks in Indonesia have a closely related relationship. On one hand the government is required to protect consumers from trademark infringement and on the other hand the government must protect the intellectual property rights of local companies from foreign companies. This is not only a matter of goodwill or the reputation of a brand, but also the fate of the sustainability of local company employees and increasing domestic economic growth. How so, if the defendant's local company is declared bankrupt and enticed a legal case of trademark infringement. Tens or even hundreds of lower middle class employees will lose their jobs and increase unemployment and poverty.

Therefore, to meet the shifting pace of economic development from various new features such as in terms of innovation and technology, the application of brand strategy and development of brand economy is urgently needed. Building a brand economy and promoting economic restructuring and increasing references.[3] Brand development can be done through good innovation management and technological implications that have an impact on the sustainability of local companies later.[4]
Generally trademark disputes occur because of a party who practices trademark infringement. Trademark disputes with local companies with foreign trademarks or well-known trademarks occur not only in industrial areas in the country but also in several countries such as Australia,[5] Malaysia,[6] and China.[7] Some forms of trademark infringement that can cause trademark disputes include the practice of trademark impersonation (trademark piracy), counterfeiting of trademarks (counterfeiting), and actions that confuse the public with the nature and origin of the brand (imitation of labels and packaging). Basically the principle of good faith is a principle that should be followed by all market participants and must be in civil litigation. But in fact, trademark infringement that ends in a dispute in court. And it must be noted that, legal protection for local companies is to protect the company's internal assets not for the benefit of companies that intentionally commit violations of trademark law, abuse of rights, and relevant claims cannot be protected and defended by law.[8]

Disputes over trademark infringement arising from conflicts between foreign companies with foreign trademark rights and domestic trademark owners with the same trademark on the same or similar goods can be debated because the so-called ‘infringement’ is almost ineffective and confusing or even will be misleading person. But the problem of disputes becomes complicated and complicated can arise when court decisions are inconsistent. In addition, the customs department's approach to determining violations has been limited by the relatively narrow scope of interpretation of the relevant provisions in the Trademark Law. Such cases also occur in Trademark Infringement of Original Equipment Manufacturer (OEM) in the Free Trade Zone.[9]

The following are various trademark disputes involving local companies involving foreign companies and famous brand companies;

<table>
<thead>
<tr>
<th>Foreign companies</th>
<th>Local Company</th>
<th>Dispute Case</th>
</tr>
</thead>
<tbody>
<tr>
<td>DC Comics</td>
<td>PT. Marxing Fan Makmur, DK</td>
<td>‘Superman’ brand dispute</td>
</tr>
<tr>
<td>Kim Sung Soo</td>
<td>Vans, Inc</td>
<td>‘Vans’ brand dispute</td>
</tr>
<tr>
<td>Sheraton International, LLC</td>
<td>PT. Graha Tuntas Mekar</td>
<td>Brand dispute ‘St. Regis ’</td>
</tr>
<tr>
<td>Starwood Hotels &amp; Resort Worldwide, INC</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pierre Cardin</td>
<td>Satryo Wibowo</td>
<td>Trademark &amp; Logo dispute &amp; Pierre Cardin ’</td>
</tr>
<tr>
<td>Burling Limited</td>
<td>Jusi</td>
<td>‘Bosini’ brand dispute</td>
</tr>
<tr>
<td>Bayerische Motoren Werke Aktiengelleschaft</td>
<td>Hendrywo Yuwijoyo</td>
<td>‘BMW’ brand and logo disputes</td>
</tr>
<tr>
<td>Woodlands Sunny Foods PTE LTD</td>
<td>Pemerintah RI Cq Kementerian Hukum &amp; HAM RI Cq. Komisi Banding Merek</td>
<td>‘Vivo’ brand dispute</td>
</tr>
<tr>
<td>Inter IKEA System B.V</td>
<td>PT. Ratania Khatulistiwa</td>
<td>‘IKEA’ brand dispute</td>
</tr>
<tr>
<td>Wen Ken Drug Co.Pte.Ltd</td>
<td>Russel Vince, dkk</td>
<td>Trademark dispute ‘Triple Foot Refreshing Solution’</td>
</tr>
</tbody>
</table>

Source: tirto, co.id, 2019[10]

Famous trademarks have a strong position in the corporate market where banks will provide much lower interest rates with corporate cash flow volatility which is also lower but can result in higher profitability.[11] This is due to trademarks is considered as one of the most important elements of intellectual property because of its ability to have its own characteristics compared to registered trademarks. This means that the products of well-known brand companies have security and get international admiration so that it will be very easy to sell good quality goods. This is what basically influences other
companies to take advantage of brand reputation and popularity by simulating, copying, or even introducing famous brands that harm trademark owners.[12]

II. THEORY

2.1. Intellectual Property Protection (IPR)

Intellectual property rights basically support creativity and corporate identity in order to gain consumer loyalty.[13] One of the exclusive advantages of IPR is that the rights are only owned by valid voters of Intellectual Property and no one has the right without the permission of the owner. This exclusive right includes two types, namely the Economic Right to obtain economic benefits over the IPR owned and the moral rights inherent in the IPR owner in the form of ownership rights as the creator of the work and the permanent name that has been listed.[14]

In the 19th century, protection against IPR was not as it is today. Enthusiasm for IPR is so low that some countries even refuse IPR protection for foreign companies. However, along with the times, to improve the country's economy, especially in encouraging innovation, countries that are dependent on trade will try to strengthen IPR.[15]

There are five basic theories of IPR for inventors / creators / designers; 1) Reward Theory or acknowledgment of intellectual work that is produced so as to be rewarded for the creativity that has been produced; 2) Recovery Theory or recovering what has been spent on expenses, time and energy in producing intellectual work; 3) Incentive Theory or relating to the development of creativity by providing incentives to motivate research activities that are beneficial to the scientific field and society; 4) Risk Theory or contains risks that allow others to go ahead and find ways or improve it; and 5) Economic Growth Stimulus Theory or effective economic development tools.[14]

IPR has its own distinguishing characteristics namely; 1) the nature of which has a limited period in which after the protection period expires the invention becomes public property. Therefore the findings can be extended one time and the duration is not the same as the first protection period; 2) exclusive and absolute so that the legal owner can monopolize and use what is created / discovered; 3) and absolute rights are not material but rather the creativity of human intellectual and can be of economic value.[14]

2.2. Famous Trademark

The brand is part of the scope of industrial property (Industrial property rights). Philosophically, the brand aims to build a corporate image, make it easier to sell goods / services, and so consumers can differentiate products from one company to another. Trademark as a sign or symbol that can be in the form of images, names, words, letters, numbers, color arrangement or a combination of all those associated with products or services and involving psychological meaning or association.[16]

Trademarks can be divided into several qualifications including; 1) as a brand name that is part of what can be said; 2) brand mark (brand mark) which is part of a brand that can be recognized but cannot be pronounced, for example symbols and logo designs); trade mark which is part of a legally protected brand.[17] Further explained that the Dangang brand has six levels namely; 1) the brand has attributes that must be managed so that consumers know what attributes the company trademark has; 2) functional and emotional benefits; 3) the higher the brand value, the more classy the brand will be; 4) brands can represent
certain cultures by utilizing efficient work methods and producing quality products; 5) company brand can reflect consumer's personality; and 6) shows the types of consumers of brand users by using the analogy of famous people for their brand users.

Brands have functions such as differentiating branded products with other companies, guaranteeing reputation, means of promotion and stimulation of investment and industrial growth through investment.[18]

The trademark registration system consists of four types, namely 1) trademark registration without prior inspection; 2) registration of a mark by prior examination; 3) registration with a temporary announcement; and 4) registration by first reporting about the existence of other registered trademarks and similarities.[19]

Well-known trademarks have a broader scope of protection where direct connections are in the minds of consumers. The elements considered in evaluating fame are the sales volume and advertising expenditures of goods and / or services sold under the brand, the duration of the use of the trademark, the use and / or licensing of the brand for various products and services, and the lack of third party use of the dangang brand similar ones.[20] Famous brand is actually a special trademark category that is recognized in some countries, not in all countries and this category has stronger legal protection than normal trademarks.

III. METHOD

Research problems are formulated using the normative juridical approach. Namely the legal approach that is seen as a norm or das sollen. In this study, the problem will be discussed using legal study material relating to matters that are theoretical concerning principles, conceptions, doctrines and legal norms or better known as library research.[21] The research will conduct a legal study based on the Trademark Law of 2001 in terms of trademark infringement aimed at revealing the important role of legal literacy and legal protection of local companies in Indonesia. In addition, research undertakes various approaches to reveal the important role of innovation and technology implementation to minimize brand violations with foreign companies or companies that have well-known trademarks.

IV. RESULT AND DISCUSSION

4.1 Legal Review of Trademark Violations

The following is a review of criminal law based on Law No. 15 about brands as follows; 1) Article 90 regulates criminal provisions for acts committed by anyone intentionally and without the right to use the same mark as the registered mark for similar goods produced; 2) Article 91 regulates criminal provisions against acts intentionally and without the right to use the same mark in principle with a registered mark owned by another party for similar goods produced and / or traded; 3) Article 92 contained in Paragraphs (1), (2) and (3) describes the prohibited acts included in the scope of the criminal offenses, namely, a) "Every act committed in this case intentionally and in whole with indications geographical property of other parties for the same or similar goods as registered goods, b) Every act that is done intentionally and without the right to use the same mark in principle with a geographical indication of another party for the same or similar goods with registered goods, Paragraph (3) For the inclusion of the actual origin of the goods which are imitations of said goods are imitations of registered and protected goods based on geographical indications; the origin of goods or services so as to deceive or mislead the public regarding a sal these goods or services.

And Article 94 in Paragraph (1) and Paragraph (2) concerning prohibited acts which fall within the scope of a criminal offense that is trading goods and / or services that are known or should be known that said goods and / services are violations as
referred to in article previously, Article 90, Article 91, Article 92 and Article 93. And Paragraph (2) as referred to in Paragraph (1) is a violation without the right to use the same mark.

Gunawan (2015) explains that both the overall equality doctrine that is enforced based on the principle of entireties similar includes all relevant factors that give rise to equality and the doctrine of identical equality, both doctrines can be used equally to assess brand impersonation.[22]

In Palestine, Jordan's Trademark Law No. (33) In 1952 the prevailing West Bank and Trademark Regulators generally did not set specific rules for the protection of well-known trademarks.[12] Whereas under federal law in the United States has several requirements in a well-known brand namely; 1) duration, breadth and geographical reach of advertisements and brand publicity whether advertised or published; 2) the amount, volume and geographical level of the sale of goods or services offered under the brand; 3) the actual level of recognition of the mark; and 4) whether the mark has been registered under Law 3 March 1881, or Law 20 February 1905, or on the principal list.[23]

4.2 Legal Protection of Local Company Trademarks

The brand protection system in Indonesia adheres to the constitutive system or the first to file system listed in Law No. 15 of 2001 which states that the person who first registered the trademark is he who has the right to use the mark. Therefore, it is very important to register a local company brand. Especially if local company brands have a positive image in the community. This is a matter of local companies' Intellectual Property Rights (IPRS) which must be protected by the government.

Local companies are required to know a number of important things related to the brands they have registered for. First, that as long as the registered mark is still within the period of protection of the mark which is 10 years from the date of registration, then if a violation is committed by another party against the registered mark (for example using a registered mark for other products outside of the product being produced), then you can file a lawsuit against the party who committed the violation based on the applicable trademark law. Second, it must be understood that when the mark is registered, of course, in a certain class of goods. If the mark is used by another party in the same class of goods as the registered mark without permission this will be a form of violation of the registered mark. However, if the mark is used by another party for a class of goods that is different from the brand that has been used, it should be noted whether the brand is a well-known brand; and the most important is the famous brand, even if it is only registered for certain classes of goods, but will get comprehensive protection. This is what sometimes leads to disputes, where local companies use well-known brands without permission in order to sell their products without having to promote or to sell quickly. Even though a well-known brand, even though it is only registered for certain classes of goods, it will get comprehensive protection. As a result, local companies that use famous brands illegally have to bear the consequences of both civil and criminal law.

In a Civil suit based on the provisions of article 76 of the Trademark Law through the Commercial Court, companies that have well-known brands can sue and ask for damages that are so large that they exceed the losses suffered by the company. In cases like this, criminal violation of trademark rights in the Court can also be categorized. The punishment can be in the form of imprisonment (no more than five years) or confinement or a fine (maximum of eight hundred million rupiah), in accordance with the provisions in the Trademark Law articles 90 to 95. The amount of this fine will go to the state treasury not to the registered trademark owner.
What would happen if this case happened to small-scale local companies that did not really understand the trademark protection regulations. They need enough literacy in line with the business they are pioneering. Do not let just because they want a relatively quick profit instead actually wrapped around trademark dispute cases in court that ended in prison.

Even for images or logos even though in different classes of goods, it can still be prosecuted as a form of infringement of famous brands. And this has been stated in article 21 paragraph (1) letter c of Law No.20 of 2016 concerning Geographical Marks and Indications. Very ironic, due to the fact that the majority of small-scale local companies do not yet understand this important regulation. Therefore, local companies should avoid similarities which are basically similarities with well-known brands including: 1) equality in principle that applies sound; 2) the equation in the picture; 3) meaningful equation with real meaning; 4) similarity due to the addition of words; and 5) geographical indications.

In this case, the government provides legal protection and education not only for the benefit of consumer protection but also for local companies. So that cases like this cannot be minimized. Certainly this must be in line with the legal aspects of national development namely; 1) the principle of benefits to mandate all that is in the implementation of consumer protection must provide maximum benefits for consumer interest and overall business protection; 3) the principle of material or spiritual balance to provide a balance between the interests of consumers, businesses and government; 5) the principle of legal certainty that approves both businesses and consumers who obey the law and obtain justice in the administration.[24]

Trademark disputes involving local companies will indeed be difficult to avoid. However, it is certain that the principle of trademark registration based on territoriality can benefit local companies. Based on the Paris Convention or the Paris Convention Article 6, Article 6 paragraph 3, and Article 16 paragraph 1 Trips (Trade Related Aspects of Intellectual Property Rights) and Trademark Law No. 20 of 2016 as well as the registered Geographical Indications that brand mark protection only applies in the country where they registered the mark. This means that as long as foreign companies that have well-known brands do not register well-known brands in Indonesia, the protection of famous brands does not apply. This principle applies internationally and is recognized throughout the world. In other words, this is a form of brand protection for local companies. A foreign company that registers in its home country but does not register in another country cannot win a lawsuit in a country where they do not register the company's trademark. In addition, foreign companies can register brand protection in Indonesia as long as they are not the same class, goods, and services.[10]

Of particular concern is that the principle of a well-known brand stipulates that a brand that has been registered in various countries, is promoted through marketing and has a massive investment can be set as a famous brand. So even though the principle of trademark registration, a local company has legal protection for its trademark, it does not mean that local companies can freely register a name that has similarities with a well-known mark. Because if a foreign company asks the Commercial Court in Indonesia to be established as a well-known mark, then the foreign company has stronger legal force to file a lawsuit against a local company even though the foreign company has not yet registered its mark in Indonesia. This kind of understanding is quite important to be known by local companies. In theory, foreign companies that have well-known brands are legally very strong. Therefore, local companies should be more careful or should avoid registering brands that resemble well-known brands. One easy way is to use a lawyer. And do not counterfeit famous brands for profit.
4.3 Implications of Digital Innovation and Technology

Local companies need a strategy transformation through resources, innovation and keeping up with current technological developments. That way the possibility to promote trademarks for commercial purposes can be fulfilled. Local wisdom can support the creation of a desired brand. So why should it resemble a well-known trademark if it is able to create its own trademark based on local wisdom and has the characteristics of local cultural traditions which are certainly able to attract consumers both domestically and internationally. As has been done by China Time-honored Brand (CTHB).[25] This should be one solution to stop local companies from doing trademark infringement. Innovation and technology support the creativity of local companies to find something of value such as a trademark that can attract consumers. This product development strategy can be carried out under the merger and brand acquisition strategy.[26]

In other words, through the protection of IPR and the role of open innovation mediation especially in the basis of new technologies can improve company performance.[27]

On the other hand innovation and technology will support the sustainability of the company in order to survive and be able to compete in international trade.[28] Some local companies are successful without trademark infringement. Local companies achieve success by carrying out technological innovations and brand building through local wisdom and the nation's own culture.[29] Of course this must be supported by the effective role of the government especially in financial matters such as investments to support smart local industries that have financial difficulties to develop such as MSMEs (Small, Medium and Micro Enterprises). Because estimating the adoption of smart industrial innovation will require the expansion of financing channels and improvement of company quality.[30] For example, advances in information and communication technology due to rapid technological changes have enabled electronic service innovation. New technology competes with methods to meet the needs of consumers and will provide innovation to new services and create new challenges that offer high-quality and specialized product services. Of course this must be supported by positive responses from the community.[31]

V. CONCLUSION

Based on the research results of Heath and Mace (2019), revealed that trademark protection has a negative impact on innovation and product quality. This explains that violations of foreign trademarks can also occur due to lack of innovation and poor quality of products of some local companies. Therefore government support not only provides legal protection but also supports the creation of innovation and technological development for local companies.

Cases of the struggle for trademarks continue to appear along with the increase in the image of famous trademarks. Basically it will be very easy to sell products / services using well-known trademarks. In this case, counterfeiting of trademarks can be detrimental to various parties, especially legitimate owners. Based on the results of tracing the various legal cases of trademark disputes in the judiciary and previous research, this study concluded that it is very important for the government in educating local companies not to be caught in trademark counterfeiting cases. Because it is very clear in the legal regulations in Indonesia there will be strict sanctions both civil and criminal for counterfeit trademark single owner. In addition, the implementation of innovation and technology can be used as an alternative profitable opportunity for local companies rather than having to resemble well-known trademarks.
REFERENCE


