

# CHAPTER 1

## INTRODUCTION

### 1.1. Background

HKI stands for "intellectual property rights", which refers to the legal protection given to creations that are the result of human ingenuity. Creations that are created or born from the results of human intelligence require legal protection known as intellectual property rights. Power, taste, and purpose, all of which are expressed in intellectual work, are what give birth to human intellectual skills. The economic rewards attached to intellectual works are what truly help strengthen the idea that they are valuable. <sup>1</sup>The principle of intellectual property rights is based on the idea that the creation of intellectual works by individuals requires the expenditure of resources (including labor, time, and money). The rewards that can be obtained from these efforts give economic value to the task. <sup>2</sup>

In theory, rich countries provide intellectual property rights (IPR) because they have an interest in seeing that IPR of developing countries are protected and their economy continues to attract investment. In the context of foreign direct investment and technology transfer issues,

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<sup>1</sup>Suyud Margono, *Komentar UU Rahasia Dagang, Desain Industri, Desain Tata Letak Sirkuit Terpadu*, (Jakarta: Novindo Pustaka Mandiri, 2001), Hal.4

<sup>2</sup>Afrillyana Purba et.al, *TRIPs – WTO & Hukum HKI Indonesia: Studi Perlindungan Hak Cipta atas Seni Batik Tradisional Indonesia*, (Jakarta: Asdi Mahasatya, 2005), Hal.12

IPR is a new issue for developing countries. Intellectual Property Rights (IPR) protection in developing countries, such as Indonesia, initially appeared to be aimed at protecting the public as inventors and owners of what is actually owned by the public. People, both as inexperienced with the law and technology and as those who are daily in the technological process, may not often be aware that they are being exploited to create wealth as much as possible without considering the value of their intellectual labor.<sup>3</sup>

In theory, rich countries provide Intellectual Property Rights (IPR) because they have an interest in seeing that the IPR of developing countries is protected so that they, in turn, can attract investment. In the context of foreign investment and technology transfer issues, Intellectual Property Rights (IPR) is a new concept for developing countries. Initially, the intention behind the protection of IPR in developing countries like Indonesia appears to be to protect the interests of society as the inventors and owners of what is rightfully theirs.

People, both those inexperienced with the law and technology and those who are daily involved in technological processes,

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<sup>3</sup>Endah Purwaningsih, *Hak dan Lisensi Kekayaan Intelektual*, (Bandung: Mandar Maju, 2012), Hal.1

may not realize that they are being exploited to obtain as much wealth as possible without taking into consideration the value of their intellectual property.<sup>4</sup>

To differentiate a commodity or service source between one party and another, an individual or company organization creates a trademark, which is one type of intellectual property right.<sup>5</sup> A trademark is a signal that identifies the quality and guarantee of a party for its products or services. A trademark serves as a guarantee of production quality and functions as an identifier and differentiator between goods produced by various parties.<sup>6</sup>

For producers or business owners selling the above products or services, the trademark also serves as an advertising and trade promotion tool. In this capacity, the trademark informs customers to a certain extent about the products and/or services produced by the business entity. The value of the trademark increases, especially with the current national and world-wide advertising in the distribution of products and/or services. Entrepreneurs have the power to increase consumer demand and maintain customer loyalty for the products and/or services they provide through a trademark supported by

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<sup>4</sup>Nurachmad, *Seluruh Tentang Hak Kekayaan Intelektual Indonesia*, (Yogyakarta: The Blue Book, 2012), Hal. 22

<sup>5</sup>Rahmi Jened, *Brand Law*, (Jakarta: PT Kharisma Putra Utama, 2015), hal. 3

<sup>6</sup>Sri Hernowo, *Trademarks as Business Assets*, (Jakarta: Makalah Khusus Konsultan HKI Batch I, 2005), hal. 1

advertising media. Therefore, the trademark has competitive advantages and ownership benefits.<sup>7</sup>

Since the first time humans started creating different goods and services, trademarks have been well known by them. Trademarks are used to distinguish between goods made by one person or legal entity and those made by another person or legal entity. According to Ius Soeryatin, the mark is used to distinguish the goods in question from other comparable goods. As a result, the traded goods that carry a trademark have a name, quality guarantee, and origin symbol. Public perception of a trademark is influenced by how the trademark is used in daily life. A trademark is considered to have enough distinctive power to be recognized as a trademark if it is well known in society.<sup>8</sup>

A nation requires positive legislation to be enforced (*ius constitutum*) in protecting its citizens' daily activities as trademarks become increasingly important in society. Therefore, Indonesia must establish laws that provide legal protection for trademarks. Intellectual property rights encompass trademarks.<sup>9</sup> When one or more individuals create and produce a work with intellectual talent, their rights that have economic value are protected by law as intellectual property rights. Patents, trademarks, designs

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<sup>7</sup>*Ibid*

<sup>8</sup>Suryatin, *Hukum Dagang I dan II* (Jakarta: Pradnya Paramita, 1980), hal.84

<sup>9</sup> Afrilyanna Purba et.al, *Trips – WTO & Hukum HKI Indonesia* , (Jakarta: Rineka Cipta, 2006), hal.12

Industry, integrated circuit layout design, trade secrets, and plant varieties are some of the things covered under Intellectual Property Rights (IPR).<sup>10</sup>

The laws that regulate intellectual property are as follows:

1. Law No. 28 of 2014 regulates copyright.
2. Law No. 13 of 2016 regulates patents.
3. Law No. 20 of 2016 regulates trademarks.
4. Law No. 30 of 2000 regulates the use of trade secrets.
5. Law No. 31 of 2000 regulates industrial designs.
6. Law No. 32 of 2000 regulates Integrated Circuit Layout Designs.

Since the turn of the 20th century, trademarks have rapidly developed in Indonesia. Many Indonesian goods, including herbal medicines, cigarettes, soy sauce, coffee, tea, and batik, were marked with logos or images during the Dutch colonial era. However, the focus on branding at that time was not on the identity and differentiation of each brand, let alone on the equity aspect of the brand. The purpose of using trademarks at that time was more focused on serving as a sign to identify specific producers, designers, and/or service providers.<sup>11</sup>

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<sup>10</sup> [http://djpen.kemendag.go.id/app\\_frontend/contents/99-hak-kekayaan-intellectual](http://djpen.kemendag.go.id/app_frontend/contents/99-hak-kekayaan-intellectual) , diakses pada 30 Juli 2022

<sup>11</sup>Casavera, *8 kasus sengketa merek di Indonesia*, (Yogyakarta: Graha Ilmu, 2009), hal. 2

At the birth of the Industrial Property Law, the "Reglement Industrieele Eigendom Kolonien" Stb 545 of 1912, Indonesia first recognized trademark rights. The Trademark Law No. 21 of 1961 then replaced it. The Trademark Law No. 19 of 1992 was then issued and then revised into the Trademark Law No. 14 of 1997. The law was then amended into the Trademark Law No. 15 of 2001 in Indonesia. The Trademark and Trademark Law No. 21 of 1961 is the first law that regulates trademarks. The main principle of this law is that trademark rights are acquired through first use (first use or declarative system).<sup>12</sup> The first to use the declarative system shows that, until shown differently, the first user is considered to be the party with the right by law. In addition, Law No. 19 of 1992 made several significant changes to the Trademark Law No. 21 of 1961.

The procedure for acquiring rights, which previously relied on the first-to-use approach, has become first to file and has undergone the most significant changes to date. The purpose of this system, which can be called the constitutive system, is to provide legal certainty. First to Use refers to the legal assumption that, until the opposite is shown, the person who first submits a trademark registration application is the party entitled to the trademark.

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<sup>12</sup>Rahmi Jened, *Op.cit*, hal.15

You must submit this application in good faith. The examination of trademark registration applications is carried out based on both formal completeness and content. In addition, this new system includes a notification on the procedure for trademark registration applications in the introduction section intended to provide an opportunity for those interested in trademark registration to file complaints (inspraak).

The latest trademark law is Law Number 20 of 2016 on Trademarks and Geographical Indications. A trademark is a mark applied to goods traded by an individual, group, or legal entity to distinguish it from other comparable commodities. To distinguish goods and/or services produced by an individual or legal entity in the trade of goods and/or services, a graphic symbol displayed, such as a picture, logo, name, words, letters, numbers, color arrangement, 2-dimensional or 3-dimensional shape, sound, hologram, or a combination of 2 or more elements, is known as a trademark. According to the definition given above, a trademark is a feature that makes a product stand out from others and undoubtedly affects its ability to generate income. As a result, trademarks are non-physical assets that must be protected as they are owned by certain individuals or groups. Certain market distortions may not be encouraged by trademarks.

To prevent fraud in business, such as false impressions of a trademark and imitation of its products, trademarks serve as a distinguishing feature in product differentiation. Trademarks can be a useful tool to identify the quality, authenticity, and origin of a product. Trademarks that have been registered with the government in the past and those recently registered, in this case with the Ministry of Law and Human Rights, often have different opinions. This problem often arises if the language, color, word arrangement, and terminology used by the trademark user are similar or the same. One party is concerned that similarity or similarity of trademarks will result in loss of trademark prestige or reduction of trademark quality perception due to purchasing or buying the wrong product. If this continues, it will have a significant impact on a company or someone's business..

However, there are parties who are considered to be plagiarizing, denying the statement. This is due to the fact that many terms or vocabulary colors are accidentally identical to registered trademarks without the producer's awareness of the trademark.

Trademark disputes often occur in Indonesia. The trademark dispute of Arra is one of them. Based on a Special Power of Attorney dated August 12, 2019, the plaintiff, Sugeng Hariyadi, from Taman Arjuna No. 5, Perum Bukit Asri, Semarang, has authorized Margaret DA Pardede, SH, M.Kn., Margareth Pardede & Legal Office Representatives located at Jalan Banding I D.1 No.12, RT.008/RW.008, Kelurahan Sukasari, Kecamatan Tangerang, Tangerang City Mohammed Naji Mohammed Bageri, the defendant, is



being sued by the plaintiff. His address is Yamen, Hadramout, Seyun, Algzaier street number 612, Hadramout, Yemen. The defendant in this lawsuit is also the Directorate General of Intellectual Property.

The plaintiff is a businessman who started his business in the 2000s as a producer of coconut products, specifically briquettes (charcoal). The plaintiff only takes orders from buyers who have established their own brand, such as OEM, to do business. The Original Equipment Manufacturer, or OEM, is a business that develops products that are then marketed under their own name or brand by another business or store. The co-defendant received the plaintiff's trademark application for Arra, which was then registered with certificate number IDM000638551 and registration date January 31, 2019, for class 4 goods with type of product Briquette, coal briquette, wood briquette, coconut shell briquette, and gabus briquette (fuel). The plaintiff claims that since 2014 they have been producing their own Arra brand, with production carried out at CV Aji Jaya Graphic Semarang and Sukun Druck Kudus printing.

After many searches, the plaintiff found that the defendant had registered the Coco Arra trademark with registration number IDM000640197 and registration date March 26, 2019, for class 4 products for the item type Charcoal. The perception of similarity between the defendant's Coco Arra brand and the plaintiff's Arra brand made the plaintiff feel that the defendant's Coco Arra trademark was registered with bad faith. The plaintiff saw that the terms Arra and Coco Arra were written similarly, with white capital letters. Above each of these company writings, there is a

logo or global map artwork. Both the plaintiff's and defendant's trademarks belong to the same commodity class, class 4.

The defendant also raises an exception, where he claims that both brands are different in appearance, tone of voice, position, shape, and other aspects. The defendant also says that the two brands are different in their writing and visual design, and there is no form relationship between them. If seen from the labels of the two brands, there is a clear difference in the way the letters and sentences are placed from the combination, and there is a difference between the word "coco" on the defendant's brand and the challenger's cube, so there is no impression of similarity in the placement and writing. That the defendant's trademark sounds like Coco Arra and the registered trademark of the challenger sounds like Arra, there is no perception of similarity in pronunciation.

All trademark cancellation cases filed by the Plaintiff were dismissed by the panel of judges of the District Court. Additionally, the Plaintiff was ordered to pay a fee of IDR 2,405,000.00 as a penalty. The Plaintiff filed an appeal against the verdict to the Supreme Court as they did not agree with the decision. In a different verdict, the Supreme Court granted the Plaintiff's appeal request. The Plaintiff claimed that their trademark and the defendant's trademark are conceptually similar.

The writer is interested in delving deeper into the controversy of the Arra case based on the above case. The challenger's trademark was the first one registered at the Ministry of Law and Human Rights, according to the writer. The challenger believes that his trademark and that of the defendant have certain similarities. However, the judges acknowledge these

differences and do not categorize the defendant's trademark as a registered trademark with bad intention. On the contrary, the Supreme Court of Justice decided that the defendant's trademark has characteristics with the challenger's trademark and the differences are not enough to be a differentiator.

The procedure for trademark registration and cancellation is explained in Law No. 20 of 2016 on Trademarks and Geographical Indications. The author is trying to learn more about Indonesian trademark protection laws. The author will further analyze the verdicts of the Commercial Court and the Supreme Court to understand the factors that the panel of judges consider in their verdicts. Therefore, the author will conduct research titled **"LEGAL ANALYSIS OF TRADEMARK REGISTRATION WITH BAD FAITH IN LAW NO. 20 OF 2016 (STUDY OF SUPREME COURT VERDICT NUMBER 242 K/Pdt.Sus-HKI/2022)"**.

## **1.2. Problem Statement**

Based on the background discussion, the author formulated the following research problems that will be examined:

1. How is the regulation related to malicious trademark registration in Law No. 20 of 2016 on Trademarks and Geographical Indications?
2. What is the consideration of the judges' panel in the Decisions 70/Pdt.Sus-HKI/2019/PN Niaga.Jkt.Pst and the Supreme Court Verdict No. 242 K/Pdt.Sus-HKI2022 regarding malicious trademark registration?

## **1.3. Research Objectives**

This research has the following objectives:

1. To find out the regulation related to cancelling malicious trademarks in Law No. 20 of 2016 on Trademarks and Geographical Indications.
2. To find out the consideration of the judges' panel in the Decisions 70/Pdt.Sus-TRADEMARK/2019/PN Niaga.Jkt.Pst and the Supreme Court Verdict No. 242 K/Pdt.Sus-TRADEMARK/2022 regarding malicious trademark registration

## **1.4 Research Benefits**

The research conducted by the author is not only to fulfill the graduation requirements to obtain a bachelor's degree, but also expected to provide benefits to legal knowledge, especially in intellectual property rights regulation. The benefits that can be given from this research include:

### **1.4.1 Theoretical Benefits**

It is expected that this research will have a positive impact on the development of legal knowledge in the field of intellectual property rights to provide criticism and suggestions on the regulation and implementation related to malicious trademark registration in Law No. 20 of 2016 on Trademarks and Geographical Indications.

### **1.4.2 Practical Benefits**

It is expected that this research will provide information on matters related to trademark registration and cancellation and an analysis of Law No. 20 of 2016 on Trademarks and Geographical Indications to the general public to meet their information needs.

## **1.5 Writing Systematics**

To provide guidance and direction for each matter contained in the writing of this thesis, the writer has constructed this thesis systematically consisting of five chapters, namely:

## **Chapter I: INTRODUCTION**

It outlines the background of the problem, the formulation of the problem, the purpose of the research, the benefits of the research, and the writing systematics.

## **Chapter II: LITERATURE REVIEW**

This chapter consists of a theoretical or conceptual review. The theoretical review contains the legal norms and legal theories relevant to the legal issue discussed in this research. The conceptual review outlines the concepts used in the analysis of the problem formulation.

## **Chapter III: LEGAL RESEARCH METHOD**

It outlines the type of research, data collection techniques, types of approaches, and the nature of data analysis used in the preparation of this thesis.

## **CHAPTER IV: RESEARCH RESULT ANALYSIS**

In this chapter, the writer will analyze the problem formulation based on legislation, theoretical and conceptual foundations, using the research method outlined in the previous chapter.

## **CHAPTER V: CONCLUSIONS AND RECOMMENDATIONS**

This chapter outlines the conclusions and recommendations discussed from Chapter I to Chapter V. Thus, within the constructively and systematically discussed framework above, the writer can understand the problems to be discussed in more detail in each of the chapters.

