

## 5. LEGAL ISSUES FACED BY SMALL TRADERS RELATED TO THEIR TRADEMARK REGISTRATIONS IN INDONESIA

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### ABSTRACT

Under the former Indonesian Trademark Law of 1961, trademark rights granted to first users of the mark facilitated the "bad faith" use by some traders of well-known foreign trademarks that had not been used first in Indonesia. This law was replaced by the former Trademark Law of 1992, which adopted the first to file system. The Former Trademark Law of 2001 stated that trademark disputes should be resolved by the Commercial Court; however, there are only five of these courts in the entire country. Small traders, located far away from Commercial Courts, were forced to make great efforts in order to settle disputes. Along with the first to file system, the Trademark Law of 2001 added that unregistered trademark users cannot file lawsuits over infringement and cancellation of trademarks. Article 85:2 of the current trademark law states that in case one of the parties involved happens to reside abroad, the claim must be submitted to the Central Jakarta Commercial Court. This provision compels small traders and trademark owners that had filed lawsuits against foreign parties to go all the way to this particular court, whether they were plaintiffs or defendants. There are three recommendations to eliminate the problems: Firstly, the Government should establish more Commercial Courts to provide small traders with registered trademarks easy access to the courts. Secondly, there should be an understanding that trademark holders who do not register their trademarks still have property rights to claims. Thirdly, Article 85 of the current trademark law

violates the principle of Actor Sequitur Forum Rei, therefore this article should be revised.

**Keywords:** trademark, constitutive system, small traders, commercial court, Actor Sequitur Forum Rei

### 1. INTRODUCTION

Indonesia has been a member of the World Trade Organization since 1 January 1995,<sup>1</sup> so in trademark matters, Indonesia is bound to the minimum standards in the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement), as stated in Article 1, Paragraph 1.<sup>2</sup> Even before its Independence in 1945 Indonesia had already been a participant in the Paris Convention. At the Paris Convention for the Protection of Industrial Property, protection of well-known trademarks was officially recognized. Article 6bis of the Convention conceded that the owner of a well-known trademark may apply for cancellation of a trademark being exploited—use of which constitutes a reproduction, an imitation, or a translation, liable to create confusion.<sup>3</sup> Protection of well-known trademarks as regulated at the Paris Convention was upheld in Article 16 (2) and (3) of TRIPS, so that it covered not only the particular trademarks of goods, but also the trademarks of services.<sup>4</sup>

Sixteen years after its Independence Day, Indonesia enacted Law Number 21 of 1961 Concerning Business Trademarks and Industrial Trademarks (Trademark Law of 1961), replacing the Trademark Law drawn up in the colonial era of the Netherlands Indies government. The substance of this particular law was quite simple, as it only consisted of 24 articles. The purpose of this law was essentially to provide protection to consumers.<sup>5</sup>

On the other hand, from a normative point of view, this law did not provide sufficient legal protection to the real trademark owners and did not provide sufficient

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<sup>1</sup> See Member information, Indonesia and the World Trade Organization in <https://www.wto.org> accessed on 5 May 2018

<sup>2</sup> Agreement on Trade-Related Aspects of Intellectual Property Rights [1994] 33 ILM 1197, art. 1, ¶ 1 (regulating among others: "Members shall give effect to the provisions of this Agreement. Members may, but shall not be obliged to, implement in their law more extensive protection than is required by this Agreement, provided that such protection does not contravene the provisions of this Agreement. Members shall be free to determine the appropriate method of implementing the provisions of this Agreement within their own legal system and practice."); See the text on Butterworths Intellectual Property Collection 2000, Butterworths, 200 p.661-662

<sup>3</sup> Paris Convention for the Protection of Industrial Property

<sup>4</sup> See TRIPS (n 3) art. 2 mentions that WTO members shall comply with Articles 1 through 12, and Article 19, of the Paris Convention (1967)

<sup>5</sup> The Preamble to this Law states that it is aimed at providing protection against imitation/fake products that use a trademark that is already known for high quality.

sanctions to trademark violators. Indonesia subsequently changed this law into Law Number 19 of 1992 concerning Trademarks. The main purpose of this legal policy was to give better protection to trademark owners, especially owners of well-known trademarks.

Since 1992, revisions of Indonesian trademark laws have rapidly occurred. Over a period of 24 years, Indonesia has replaced four trademark laws. The three laws that have been passed since 1992 are the Former Trademark Law of 1997, which constitutes an amendment of the Former Trademark Law; the Former Trademark Law of 2001 which replaced the previous ones of 1992 and 1997; and the most recent one, Law Number 20 of 2016 concerning Trademarks and Geographical Indications. Beside the desire expressed for good protection of trademark owners (especially well-known trademark owners), the desire for rapid dispute settlement was the main reason for the legislator's policy for revision. However, these policies created various legal problems for small traders who had registered their trademarks, but were domiciled far away from big business cities, and for small traders who had not registered their trademarks. According to these trademark laws a trademark must be registered in order to receive legal protection and the courts entrusted to prosecute trademark cases (and other lawsuits related to Intellectual Property) are limited to five (5) Commercial Courts. As a matter of fact, there are many small traders that do not register the trademarks, and moreover, they are scattered all over Indonesia, down to the remotest corners. These circumstances have led to problems when disputes arise over trademarks.

The change made in Article 85 of the Trademark Law of 2016, which states that if one of the parties is domiciled abroad, the litigation process must be filed at the Jakarta Commercial Court, may cause more legal problems for small traders as owners of registered or unregistered trademarks.

This paper discusses in depth the legal issues faced by small business owners related to trademark registration,

according to positive laws in Indonesia, and suggests several recommendations to resolve their problems.

## 2. CHARACTERISTICS OF FORMER TRADEMARK LAWS IN INDONESIA

The explanatory part of the former Trademark Law of 1961<sup>6</sup> stated the special rights that attached to the trademark granted to the person who uses this trademark for the first time in Indonesia.<sup>7</sup> If there is no evidence proving first use, the party applying for the first registration is considered to be the owner of the trademark rights.<sup>8</sup> Registration does not automatically extend specific or exclusive rights to the trademark owner. The system used to protect the trademark holder on first-use basis is referred to as the "Declarative System." The Declarative System used in the Trademark Law of 1961 was in favour of small traders. Through this system, trademark users acquired special rights attached to the trademark used, even though they had not actually registered their trademarks. Generally speaking, the term "small traders" refers to traders with a small amount of business investment capital at their disposal. Small and micro-sized companies fall under these criteria, as intended in Law Number 20 of 2008 concerning Micro, Small and Medium-sized Companies<sup>9</sup>. In this law, small business units are defined as economically productive enterprises that stand on their own, in other words subsidiaries or business branches derived from medium-sized and large companies are excluded. The net worth of small business companies amounts to between IDR 50 and 500 million, whereas the net worth of micro-sized business companies may not exceed IDR 50 million<sup>10</sup>. These small traders have historically shown a tendency not to register their trademarks.<sup>11</sup> The presence of small traders spread all over Indonesia reaches even the remotest areas of the archipelago. This country has a land mass of 2,010,000 km<sup>2</sup> with a total number of 17, 499 islands.<sup>12</sup>

The Declarative System did not provide sufficient protection to owners of well-known trademarks: it was

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<sup>6</sup> See the explanatory part of The Trademarks Law of 1961 (Undang-Undang Nomor 21 Tahun 1961 Tentang Merek Perusahaan dan Merek Perniagaan), on the 10th enclosure of Gautama, Sudargo, *Hukum Merek Indonesia*, Alumni, 1997

<sup>7</sup> In the former Trademark Law of 1961, and the former Trademark Law of 1992 as amended in 1997, the rights given to trademark owners were not referred to as exclusive rights but as special rights

<sup>8</sup> See Art. 1 The Trademark Law of 1961 and Explanatory part of the Trademark Law of 1961.

<sup>9</sup> See Law No. 20 of 2008 Concerning Micro, Small and medium-sized Companies in a PDF File: Undang-Undang No.20 Tahun 2008

<http://www.hukumonline.com/pusatdata/detail/28029/node/1011/undangundang-nomor-20-tahun-2008>

<sup>10</sup> See Law No. 20 of 2008 concerning Micro, Small and medium-sized Companies, art. 6 (1)a and (2)a (1 USD is about 14,400 IDR).

<sup>11</sup> Even until 2011, when the way to obtain trademark protection was arranged via registration, the awareness of small traders to have their brands registered was still low. See <http://nasional.kontan.co.id/news/kesadaran-mendaftarkan-merek-industri-kecil-dan-menengah-masih-rendah-kontan.co.id>, the website featuring the biggest magazine on Economics in Indonesia. Accessed on 17 November 2017

<sup>12</sup> See "Indonesia merupakan negara kepulauan yang terbesar di dunia" (Indonesia is the largest archipelagic nation in the world), at <https://bphn.go.id/news/2015102805455371/INDONESIA-MERUPAKAN-NEGARA-KEPULAUAN-YANG-TERBESAR-DI-DUNIA> bphn.go.id. Accessed on 17 November 2017

all too easy for bad-faith traders to exploit well-known foreign trademarks which had not been used in Indonesia for the first time. Tancho and Lotto are case examples of well-known trademarks used and registered by Indonesia bad-faith traders.

In the Tancho case, the plaintiff (PT. Tancho Indonesian Company Ltd.) filed a lawsuit against Wong A. Kiong who had registered the trademark of Tancho under his name, and had used exactly the same trademark owned by the plaintiff. The Supreme Court cancelled the Tancho trademark that had been registered first by Wong A. Kiong, based on the following consideration.

What is meant by the phrase 'first user in Indonesia' in the Trademark Law must be interpreted as 'the first user in Indonesia is bona fide good faith based on the legal principle that protection is provided to the party showing good intentions and refused to the party acting in bad faith'.<sup>13</sup>

In the First Degree Court/District Court, the Judge held for the defendant, considering it the party who first used the trademark in Indonesia.

In the case of Lotto, Newk Plus Four Far East (Pte.) Ltd, based in Singapore, filed a lawsuit against Hadi Darsono regarding the registration of the Lotto brand by the defendant for products classified as towels and handkerchiefs. The Lotto trademark had been registered on behalf of the claimant for goods classified as ready-to-wear clothes, shirts, T-shirts, jackets, long trousers, tight-fitting skirts, bags, suitcases, wallets, belts, shoes, sports shoes, sports shirts, rackets, nets, sandals, slippers and headwear. The First Degree Court (the Jakarta Court of Law) held in favour of the defendant. The Judge turned down the request for cancellation of this particular trademark, reasoning that the type of products that had been registered differed markedly from the plaintiff's products. However, at the Supreme Court, the Judge held in favour of the plaintiff. The consideration was that any registration may be cancelled if it has something in common with somebody else's well-known trademark, even though it was registered for different types of goods.<sup>14</sup>

<sup>13</sup> See the case of P.T. Tancho Indonesia Co. Ltd v Wong A Kiong, 677K/Sip/1972 in PDF file at <http://putusan.mahkamahagung.go.id/putusan/23359> The entire case is in PDF file : KRI6771972PDT.PDF . The substantial consideration of the supreme court judge in the original text as follows: Menimbang, bahwa sesuai dengan maksud Undang Undang yang mengutamakan perlindungan terhadap khalayak ramai tersebut, maka perkataan "pemakai pertama di Indonesia" harus ditafsirkan sebagai "pemakai pertama di Indonesia yang jujur (beritikad baik), sesuai dengan asas-asas hukum, bahwa perlindungan diberikan kepada orang yang beritikad baik dan tidak kepada orang yang beritikad buruk

In 1992, The Former Trademark Law of 1961 was replaced with the Trademark Law of 1992. Unlike the former Trademark Law of 1961, the Former Trademark Law of 1992 used the Constitutional System in order to obtain the exclusive rights mentioned above. Article 3 of the Former Trademark Law of 1992 stated that the rights attached to a trademark were specific rights extended by the state to the registered trademark owners, while Article 56 stated that a lawsuit regarding trademark cancellation could not be filed by an unregistered trademark owner. The owner of a well-known trademark could still apply for trademark cancellation by first making an official request for trademark registration.<sup>15</sup> Based on Article 72, compensation claims due trademark infringement can only be submitted by the registered trademark owners. This constitutive system, which gives legal protection as a special right/exclusive right for someone who registers his/her trademark for the first time, has been maintained up to the present. This system is also called first to file system.

Large corporations, including foreign trademark owners, favored this revision because it provided legal certainty. Under the constitutive system, proving the legal existence of trademark rights is relatively easy. Based on Article 1866 juncto 1870 Indonesia Civil Code, a document signed by the legal authority is the ultimate authentic document.<sup>16</sup> Anyone holding the trademark certificate is considered as the owner.

In 1997, Indonesia made an amendment to the Former Trademark Law of 1992. In terms of content, it did not differ all that much from the previous laws. The only adjustments were made in connection with Indonesia's participation in the World Trade Organization (WTO). Subsequently, the former Trademark Law as amended in 1997 was replaced by the Trademark Law of 2001. One of the important changes made in this law was that court cases over trademark issues had to be settled in Commercial Courts. These courts were formed in 1998, to solve the problems of massive payment default from Indonesian corporations to foreign corporations and institutions, then expanded to accommodate IPR cases. Commercial Court decisions are time-limited, so cases

<sup>14</sup> Devindra Oktaviano, Richard Sinaga, Dandy Nakkito dan Loviana Permatasari - Sengketa Merek Dagang Internasional "LOTTO" dalam Kasus Hukum Perdagangan Internasional on [www.academia.edu/people/search?utf8=%26%3Bq=sengketa+merek+dagang+internasional](http://www.academia.edu/people/search?utf8=%26%3Bq=sengketa+merek+dagang+internasional). Accessed on 5 May 2018

<sup>15</sup> Law No. 12 of August 28, 1992, on Trademarks, art. 3 and 56

<sup>16</sup> See Article 1866 and article 1870 Indonesia Civil Code in Himpunan Peraturan Perundang-undangan Republik Indonesia (The Compilation of the Regulations of the Republic of Indonesia, published by P.T. Ichtiar Baru-van Hoeve Jakarta, 1989

could be decided rapidly, although the administration fee was considerably higher (up to ten times) than the one charged by the District Courts.<sup>17</sup>

There are only five Commercial Courts located in five big business cities (Jakarta, Semarang, Surabaya, Medan and Makassar) for the entire country. The establishment of a Commercial Court requires special efforts and expenses. Based on Article 302 of Law Number 37 of 2004 Concerning Bankruptcy and Postponement of Debt Obligations there are some special requirements to be appointed as a judge of Commercial Court, such as the following: having experience as a judge in General Court, having knowledge in the Commercial Court and having completed a special training programme of the Commercial Court.<sup>18</sup> This may be one of the reasons that the courts were established only in five cities. As a matter of fact, small companies are spread all over Indonesia (including remote areas), and disputes usually happen between parties in the same area. This forced small traders who ran their business enterprises far away from Commercial Court locations to make considerable efforts to get to the courts. This differs from the provisions made in Article 10 of the Former Trademark Law of 1961, which states that a lawsuit regarding trademark cancellation must be filed at the Central Jakarta Commercial Court. No mention is made of how a lawsuit regarding trademark infringement should be handled. According to the prevailing law in Indonesia, lawsuits involving a civil case of a general nature as well as lawsuits concerning wrongful acts should be filed in the District Court located closest to the defendant's residence. District Courts are located in every city, municipality and every regency capital.<sup>19</sup>

### 3. CHARACTERISTICS OF THE CURRENT TRADEMARK LAW: IMPLICATIONS FOR SMALL TRADERS

Recently, Indonesia enacted the 2016 Trademark Law, known as the Law concerning Trademarks and Geographical Indications because the substance of regulations regarding Geographical Indications has greatly increased. One main purpose of this law is to serve as the legal basis of Indonesia's compliance with

the Madrid Protocol, as Indonesia is going to be a member of this convention.<sup>20</sup>

Similar to the Former Trademark Law of 1992, this law also adheres to the system providing legal protection to the party that registers its trademark first. Apart from this, it most resembles the Former Trademark Law of 2001, which prescribed that the settlement of a court case involving trademark issues by way of litigation must take place in a Commercial Court.

The legal basis for the establishment of Commercial Courts was Article 306 of Law Number 37 of 2004 concerning Bankruptcy and Postponement of Debt Obligations juncto Law Number 4 of 1998 juncto Governmental Regulation as a Replacement of Law Number 1 of 1998 concerning Bankruptcy and Postponement of Debt Obligations.<sup>21</sup> These particular Commercial Courts comprise one chamber of the General Court. The purpose behind establishing Commercial Courts was to prosecute bankruptcy cases. Several years later, their authority was been extended to include prosecuting cases in five areas of conflict revolving around IPR, namely Copyright, Trademark, Patent, Industrial Design and Lay-out Design of Integrated Circuits. Settling lawsuits in a Commercial Court is time-saving, compared to the way cases are handled in District Courts, because the procedure involved is considerably briefer. No legal effort is made to appeal to the High Court—legal efforts are taken when the party, dissatisfied with the verdict reached by the Commercial Court, submits an immediate appeal to the Supreme Court. In addition, this law has strict regulations regarding the duration of the procedure and the final settlement of the lawsuit in question.<sup>22</sup>

The trademark lawsuits filed in the Commercial Court consists of suits appealing rejections for trademark registration, suits regarding trademark cancellation, suits concerning trademark cancellation, and lawsuits involving trademark infringement. Based on Article 76 juncto 21, the owner of a registered trademark can file a lawsuit regarding trademark cancellation against another trademark that is registered which is entirely the same or similar to the one used by the previous owner. The owners of well-known trademarks have special

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<sup>17</sup> In the Regulation of the Supreme Court Number 3 of 2012, the cost of the Court of Appeal's settlement process for a civil case (general) is IDR 500,000 whereas the cost of a civil case in appeal (kasasi) to the Commercial Court amounts to IDR 500,000,000, (1 USD approximately equals to 14,400 USD)

<sup>18</sup> See Article 302 of Law Number 37 of 2004 Concerning Bankruptcy and Postponement of Debt Obligations in a PDF document: Undang-Undang No.37 Tahun 2004 [www.hukumonline.com/pusatdata/detail/20144/node/19/undang-nomor-37-tahun-2004](http://www.hukumonline.com/pusatdata/detail/20144/node/19/undang-nomor-37-tahun-2004)

<sup>19</sup> See Article 4 Law No. 2 of 1986 concerning District Courts in . [www.hukumonline.com/pusatdata/downloadfile/lt4c3c4a7654594/parent/2593](http://www.hukumonline.com/pusatdata/downloadfile/lt4c3c4a7654594/parent/2593)

<sup>20</sup> On October 2nd, 2016, Indonesia has become the 100th member of the Madrid Protocol.

<sup>21</sup> See the said law in <http://www.hukumonline.com/pusatdata/download/lt4c4fe833a1622/node/20144>

<sup>22</sup> The duration of settling lawsuits has been regulated in the Trademark Law. As for the settlement of other cases in the IPR field, this has been regulated in separate Laws covering this particular area.

treatments for trademark protection. They may file a cancellation lawsuit by submitting an official request for registration, even though they have not registered their trademark yet. Since there happen to be only five Commercial Courts in Indonesia, filing lawsuits with these courts is not exactly a practical matter. This is especially the case among small traders who run their business enterprises in remote areas, far away from the location of Commercial Courts.

By way of illustration, when a trademark owned by a small trader residing in Merauke intends to cancel a trademark that closely resembles his/her registered trademark, or if someone intends to file a compensation claim for trademark infringement, he/she must file a lawsuit regarding trademark cancellation or compensation at the Commercial Court of Makassar. The distance between these two towns is 3,566 km.<sup>23</sup> When based in Atambua, a small trader has to go through the same motions at the Commercial Court of Surabaya. The distance between these two cities amounts 2,296km.<sup>24</sup> Perhaps these long distances pose no problem for countries with a smooth transportation and telecommunication system. Unfortunately, the ones installed in certain hinterlands of Indonesia leave much to be desired, causing severe constraints on time and financial budgets for dispute settlement.

Several years ago the Intellectual Property Office provided online registration facilities in several areas of IPR including trademarks, as well as providing facilities for free of charge registration for small traders with certain criteria. These various means and facilities certainly help small traders to register their trademarks.<sup>25</sup> Even so, this normative facility does not eliminate the problems experienced by small traders who do not register their trademarks. The applicable law remains the same, while the laws and regulations in Indonesia do not provide legal protection to trademarks that are not registered.

Last April, the Supreme Court drew up a provision regarding Supreme Court Regulation No. 3 of 2018 concerning Online Case Administration in Courts. This provision facilitates the submission of statements of claim, response, reply (*replik*), rejoinder (*duplik*) and written concluding arguments.<sup>26</sup> Even so, the trial process involving steps to be taken such as submission of

evidence, witnesses and judge's decisions must still be conducted in the courtroom. As mentioned above, there are only five Commercial Courts in the entire country. Thus the Supreme Court regulation only helps a little for small traders in resolving disputes in court. The main problem regarding "far distance" experienced by small traders has not been solved.

In fact, the low number of Commercial Courts is not only problematic for small traders—The owners of big corporations living in remote areas have been affected as well. Nevertheless, it is not common that big business entrepreneurs (let alone transnational business corporations) conduct their business in remote corners of Indonesia. If they have a business venture located somewhere in the middle of nowhere, they usually open an office in Jakarta or other business cities so that the obstacles they experience are not as burdensome as those faced by small traders.

The application of the constitutive system in the positive law of Indonesia causes users of unregistered trademarks to have no economic rights at all. These trademark owners cannot file lawsuits against parties engaging in acts of unfair competition by illegally exploiting the same trademark. Unregistered trademark owners also cannot file claim suits for trademark cancellation against parties that have already registered trademarks which are entirely or substantially the same as the unregistered trademark owners.<sup>27</sup>

In the former Trademark Law of 1961, in connection with the application of the declarative system of this law, owners of unregistered trademarks may file lawsuits regarding trademark infringement. In the case of the Bata Shoe trademark, PT Perusahaan Sepatu Bata (Bata Shoe Company) brought a lawsuit concerning tort/unlawful acts against Ahmad Okbah and A. Kadir at the District Court of Surabaya, suing them for making unlawful use of the Bata trademark for black velvet caps known locally as *peci*. The verdict of the High Court of Surabaya (whose decision was upheld by the Supreme Court) was that the acts engaged in by the defendants consisted of an action that violated the law.<sup>28</sup> These lawsuits used Article 1365 of the Civil Law Code (known as *Burgerlijk Wetboek in Dutch*) as their legal basis.<sup>29</sup> According to this Article, any

<sup>23</sup> See the Google Maps application. Accessed on 19 November, 2017

<sup>24</sup> *Ibid.* Accessed 26 July 2018

<sup>25</sup> It has been stated above that the cost and legal awareness problem pose a problem for small traders to register their trademarks.

<sup>26</sup> See Art 1 par 5 Supreme Court Regulation No. 3 of 2018 concerning Online Case Administration in Courts

<sup>27</sup> Referring back to the regulations concerning the right to trademark cancellation and to filing lawsuits regarding

trademark infringement. These rights are only extended the registered trademark owners

<sup>28</sup> Putusan Pengadilan Tinggi Surabaya No.672/1981 Perdata tanggal 5 Deseember 1981. The case can be examined in Sudargo Gautama and Rizawanto Winata, *Himpunan Keputusan Merek Dagang, Penerbit Alumni, Bandung 1987*, pp. 252 – 257.

<sup>29</sup> See Article 1365 The Indonesia Civil Law Code



unlawful act that harms another person obliges the offender who caused the loss or damage to indemnify it.

The element of tort or wrongful acts (referred to as *onrechtmatige daad* in Dutch) in this Article is broadly defined as being due to not only one action or inaction committed in violation of the law. The current elements of unlawful acts are the result of certain developments in the Netherlands a century ago.<sup>30</sup> Prior to 1919, unlawful acts were considered to be acts or measures not taken (such as negligence or omission) that violate the existing regulations or laws. However, after the *Lindenbaum vs. Cohen* case (involving business espionage), the definition of the notion of “wrongful act” was duly expanded. The decision reached by the Dutch Supreme Court that is currently used to formulate the notion of wrongful acts refers to every action, non-action, error or omission<sup>31</sup> that:

1. violates the subjective rights of others (rights as prescribed by law);
2. is in contradiction with the offender’s legal obligations (obligations prescribed by law); or
3. is in conflict with the propriety, carefulness and caution that an individual should observe in social intercourse with fellow citizens or when handling property owned by others.

The regulations in the Trademark Law only provide legal protection for registered trademark owners. The consequence is that unregistered ones have no right to file lawsuits regarding trademark issues such as trademark cancellation or infringement. These provisions in fact narrow down the principles of “wrongful acts”.

No mention is made in TRIPS of the fact that unregistered trademark users have no civil rights whatsoever. Article 16:1 (Rights Conferred) states that:

“The owner of a registered trademark shall have the exclusive right to prevent all third parties not having the owner’s consent from using in the course of trade identical or similar signs for goods or services which are identical or similar to those in respect of which the trademark is registered where such use would result in a likelihood of confusion.”

It appears from this article that the owner of a registered trademark has exclusive rights, yet no explicit mention is made of parties that can bring a case to court being

restricted to those whose trademark has been registered. Even though there exists special protection of well-known trademarks, no mention is made of wrongful acts perpetrated against unregistered trademarks (nor does the article exclude them), even if the user in question is not the actual owner of that well-known trademark.

The settlement of a civil case in a court of law generally makes use of the principle referred to in Latin as *Actor Sequitur Forum Rei*, which means that the plaintiff should file lawsuits in the defendant’s region of relevance. This principle is also employed in Indonesia’s Civil Procedure Act (HIR).<sup>32</sup> IPR cases are civil cases, so HIR is used as the *lex generalis*. However, Article 85 of the Trademark and Geographical Indication Law of 2016 regulates matters that are not in keeping with the principle mentioned above. Article 85:1 regulates that lawsuits must be filed to the Judge in Charge of a Commercial Court in the defendant’s legal region of residence or domicile. Subsequently, Article 85:2 regulates that if one of the parties resides abroad (ie. outside of Indonesia), the lawsuit must be filed in the Commercial Court of Central Jakarta. The contents of this article have caused small traders engaged in lawsuits brought against foreign parties to resort to the Commercial Court in Jakarta, whether they are plaintiffs or defendants. Defendants (who are not necessarily proven guilty) must resolve their business dispute by settling their cases in a jurisdiction other than their place of residence – which may well be quite remote – if they are not domiciled in the jurisdiction of the Central Jakarta Commercial Court.

The contents of Article 85:2 differ from those of the former Trademark Law of 2001 in the same respect. Article 80:2 of this law stated that in case of the defendant living abroad, the lawsuit must be filed in the Central Jakarta Commercial Court. This article does not violate the aforementioned principle of *Actor Sequitur Forum Rei* because it makes explicit use of the term “defendant”.

#### 4. CONCLUSION AND RECOMMENDATIONS

Based on the description presented above, it can be perceived that the legal issues small traders have been facing over the applicable Trademark Law in Indonesia may be summarized as follows:

1. Dispute settlement through only five (5) Commercial Courts is deemed unpractical and quite costly. This condition is felt to be a heavy burden on the shoulders of

<sup>30</sup> For approximately 300 years Indonesia fell under the Dutch colonial government, with the result that the prevailing Indonesian Law has received a considerable impact from Dutch Law.

<sup>31</sup> See Suharnoko, *Hukum Perjanjian Teori dan Analisa Kasus*, (5th edition, March 2008, published by Kencana Prenadamedia Group, Jakarta) p. 1223.

<sup>32</sup> Civil Procedure Act, art. 118, *Herzien Inlandsch Reglement/Peraturan Indonesia Yang Diperbaharui* (Revised Regulations for Indigenous Indonesians). See in *Herzien Inlandsch Reglement/Peraturan Indonesia Yang Diperbaharui*, PDF File: H.I.R (S.1941-44\_in <http://www.hukumonline.com/pusatdata/download/fl53195/node/27228>

small traders in comparison with large business corporations.

2. The constitutive system disregards the property rights of unregistered trademark owners. Therefore, there is , no possibility for such parties to file civil lawsuits involving unfair business practices against offenders.

3. Article 85:2 of the current Trademark Law (stating that if one of the parties involved in a dispute happens to reside abroad, the lawsuit in question must be filed in the Central Jakarta Commercial Court) is not in keeping with the principle known as *Actor Sequitur Forum Rei*, thus it imposes a heavier burden on the other parties, including small traders.

Based on the legal issues they have been facing, three recommendations are suggested to eliminate these specific problems:

1. The Indonesian government should establish more Commercial Courts to provide small traders that have registered their trademarks with easy access to these specialized courts. These days it is not difficult find and recruit experts in the field of Intellectual Property Law (and Bankruptcy Law) since this academic subject is taught in almost all law faculties in Indonesia. In certain ways, on-line trademark registration tools and online case administration make it easy for small traders to register trademarks and submit trial administrative requirements such as submitting statements of claim, responses, replies, rejoinders and conclusions, but the problem of far distance and the small number of Commercial Courts remain a considerable obstacle for small traders in Indonesia.

2. There should be a knowledge dissemination program on a massive scale to make small traders who have not registered their trademarks aware of the fact that they still have civil rights to claim if someone imitates their trademarks acting in bad faith or doing unfair business practices. A classic case of tort, *Lindenbaum vs Cohen* may be used as a reference. Moreover, Article 16 of TRIPS does not state that unregistered trademark owners have no property rights.

3. Article 85, Paragraph 2 violates one of the main principles of Procedural Law, namely "The plaintiff should follow the forum of the defendant's residence," therefore this article should be revised through either legislative review or judicial review.

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