

Legal Principles of Trademark Protection in Supporting Improvement of Creative Economic Industry*

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Abstract: Legal protection for trademarks in Indonesia is regulated by Law Number 20 of 2016. The law requires that legal protection of trademarks be obtained by means of registration since it adheres to the constitutive system, suggesting that trademark owners are required to register their trademarks. The use of trademarks related to creative economy business is increasingly growing; therefore, the present study needs to be done. The purposes of the present study are to analyze the mechanism of legal protection of trademarks and to analyze the relationship between trademark licensing agreements and improvement of the creative economy industry. A violation occurs when a trademark is used by someone else without permission. Conversely, when a trademark is used by another person/party with permission, it is not a violation. The permission is granted in the form of a license agreement. Many entrepreneurs in the creative economy sector do not yet have a trademark certificate since they have not registered their trademarks. Licensing agreements make a positive contribution to the development of the creative economy industry.

Keywords: *Trademark rights, licensing agreements, creative economy.*

I. INTRODUCTION

Trademark rights as a part of Intellectual Property Rights (IPR) serve an important function in trade. It does not only constitute a differentiator between similar goods and or services, but it also serves as a tool to win the competition in seizing the consumer market. In addition, a well-known trademark also represents a company's invaluable goodwill and assets.

For this reason, trademark rights need to be protected. The concept of legal protection for trademark rights refers to the exclusive nature of trademark rights. Such a material rights of monopoly in nature can be used by others with permission from the trademark owner. In practice, the permission is granted in the form of licensing by means of a licensing agreement.

On the other hand, licensing contracts that form the basis of rights between the licensor and the licensee are often violated, resulting in disputes between them concerning the rights and obligations that they have agreed to in the licensing contract. As such, the principle of good faith mandated by contract law is ignored. This is exemplified by the licensing of the famous Cap Kaki Tiga trademark. In the case of Good Year trademark, the problem arose since the licensing agreement period was not clearly set, thus creating a dispute. Due to the absence of validity period of the licensing agreement, the defendant can use the Good Year trademark indefinitely, which was then disputed by the plaintiff. In order to form a licensing agreement that can be used as a guideline and basis for the parties, it is necessary to strengthen the principle of freedom of contract and good faith as the main principles in making and implementing a famous trademark licensing agreement. A licensing contract would not

run properly when these two principles are weakly implemented. Conversely, a licensing contract would provide the parties with significant benefits when those two principles are strongly implemented, leading to the achievement of the purpose of the license agreement. Strengthening the principles of freedom of contract and good faith is expected to overcome various problems that arise in the implementation of trademark licensing agreements.

Creative economy constitutes a new idea of an economic system that makes information and human creativity the ultimate factor of production. Ideas are expensive things in the creative economy since creative ideas would lead to the creation of innovations which eventually create new solutions and products.

Therefore, the Government established the Creative Economy Agency (or, BEKRAF) based on Presidential Regulation No. 6/2015 and Presidential Regulation No. 72/2015. BEKRAF is a non-departmental government agency whose job is to assist the President in formulating, establishing, coordinating and synchronizing creative economic policies with regard to application and game developers, architecture, interior design, visual communication design, product design, fashion, film, animation and video, photography, crafts, culinary, music, publishing, advertising, performing arts, fine arts, television and radio.

BEKRAF is established on the ground that creative economy is one of the economic sectors that needs to be boosted, strengthened and promoted as an effort to increase national economic growth.

One of the divisions in BEKRAF is the Intellectual Property Rights Facilitation and Regulation division tasked to formulate, establish, coordinate, and synchronize policies and programs for Intellectual Property Rights facilitation and to synchronize creative economy regulations. This division is headed by a deputy who reports directly to the Head of BEKRAF.

The functions of this deputy are, among others, to provide technical guidance and supervision over the implementation of facilitation policies and programs for intellectual property rights in creative economy, for example, by technical guidance in obtaining trademark certificates for small and medium entrepreneurs. This is due to the fact that many small and medium entrepreneurs do not yet have a trademark certificate. Meanwhile, trademark certificates are strong evidence of rights to obtain legal protection.

Under Law Number 20 of 2016, a trademark certificate can be obtained by trademark registration. Trademark registration constitutes an obligation for a person/entrepreneur in order to obtain protection of their trademark rights by the State. If a trademark is not registered, it would not obtain legal protection, which may result in legal problems with other parties. Thus, small and medium entrepreneurs in creative economy must have trademark certificates.

In addition to trademark registration, those small and medium entrepreneurs with no trademark can use others' trademark by means of a licensing agreement. This is because trademark rights include exclusive rights, which is the rights to use a trademark and to grant permission to others to use the trademark by means of a trademark licensing agreement. The use of a trademark through a licensing agreement is legal and does not violate the law. On the other hand, the licensing agreement is also beneficial for legal protection of the licensed trademark.

On that basis, the present study examines the ownership of trademark certificates for small and medium entrepreneurs in the sector of creative economy as a means of enhancing the creative economy

industry, as well as the role of licensing agreements in legal protection of a trademark. This is due to the fact that one of the obstacles in the growth of the creative economy is the lack of legal umbrella for intellectual property rights, especially trademarks, experienced by small and medium entrepreneurs.

The present study will address:

- a. The legal principles of trademark protection under Law No. 20 of 2016 on Marks and Geographical Indications.
- b. The role of trademark licensing agreements as a means of increasing the growth of creative economic industry for small and medium entrepreneurs.

II. Methods

This legal research is normative, considering that the discussion is focused on legislation related to trademarks, i.e., Law No. 20 of 2016 on Marks and Geographical Indications and other relevant laws and regulations. This study uses the statutory and conceptual approaches. Both approaches are applied using the deductive method by analyzing general matters in the law.

III. Results and Discussion

Legal Principles of Protection of Trademark Rights under Law No. 20 of 2016

The rights to a trademark is exclusive. It is obtained by registration to the State represented by the Director General of Intellectual Property. The registration obligation is compulsory since Law No. 20 of 2016 on Marks and Geographical Indications adopts a constitutive system. Without registration, the rights to a trademark would not be protected by the State. As set out in Article 20, a trademark cannot be registered if it:

- a. is contrary to the state ideology, legislation, morality, religion, decency, or public order;
- b. is similar to, relating to, or only mentioning the goods and or services for which registration is requested;
- c. contains elements that can mislead the public in terms of the origin, quality, type, size, type, intended use of the goods and/or services for which registration is requested or constitute the name of the protected plant variety for similar goods and/or services;
- d. contains information inconsistent with the quality, benefits, or efficacy of the goods and/or services for which registration is requested;
- e. has no distinguishing power;
- f. constitutes a public name and/or symbol of public property.

In addition, a trademark must not violate Article 21 of the Law, which states:

- (1) An application is rejected if the trademark has similarities in principle or in whole to:
 - a. registered trademark of another party or that previously requested by another party for similar

goods and/or services;

- b. famous trademark of another party for similar goods and/or services;
- c. famous trademark of another party for dissimilar goods and/or services that meet certain requirements; or
- d. Registered Indications.

(2) The application is rejected, if the trademark:

- a. constitutes or resembles the name or abbreviation of the name of a famous person, photo or name of legal entity owned by another person, except with a written approval from the entitled party;
- b. is an imitation or resembles a name or abbreviation of the name, flag, symbol or a symbol or emblem of a state, or national or international institution, except with a written approval from the competent authority; or
- c. is an imitation or resembles an official mark or seal or stamp used by the State or government agency, except with a written approval from the competent authority.

(3) An application is rejected if it is submitted by an applicant in bad faith.

(4) Further provisions regarding the rejection of trademark applications as referred to in paragraph (1) sub-paragraphs a through c are regulated by ministerial regulation.

Article 22 of the Law states that, with respect to registered trademarks which later become generic names, anyone can submit an application for the trademark using the generic name in question with addition of other words, provided that there are distinguishing elements.

If it meets the above requirements, a substantive examination will be made to measure and assess whether the trademark to be registered is not in conflict with existing regulations.

Upon completion of the process set out in the Law, a registered mark will be granted a trademark certificate and obtain legal protection for ten (10) years which can be extended for the same period, provided that the trademark remains being used for the goods and/or services.

A trademark certificate constitutes the most powerful evidence of the rights since, provided that the certificate is not canceled by the Court, the owner has exclusive rights to his trademark which includes two rights:

- a. The right to use the trademark in the sense of producing goods;
- b. The right to authorize others to use the relevant trademark.

In the event that, in the future, there are parties who use the same trademark, in principle or in a whole, the trademark owner can file a cancellation claim as set out in Article 76 of the Law. In addition to the trademark owner, other parties with an interest in the trademark can also file it. Such other interested parties are registered trademark owners, prosecutors, foundations/institutions in the consumer sector and religious bodies/institutions.

Those interested parties are related to the use of the trademark as a means of distinguishing goods and/or services.

Based on the Law, the principle of trademark protection is that a trademark must be registered with the Office of the Directorate of Marks and Geographical Indications. This is in line with the system adopted by the Law that trademark registration constitutes an obligation that must be fulfilled by the trademark owner. If not registered, the State does not provide legal protection. The constitutive system results in an administration order with regard to trademarks, in which trademark registration must meet the requirements requested by the Law. If it does not meet the Law, trademark registration would be rejected, resulting in no legal protection.

Under the Law, the principle of legal protection of trademarks is based on the provisions of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs) as part of the World Trade Organization Agreement. The TRIPs was ratified by the government under Law No. 7 of 1994.

The agreement on TRIPs has several legal principles:¹

Several principles adopted by TRIPs include those set out in Article 3 concerning National Treatment, which essentially state that:

1. Each member is obliged to provide the same protection for the intellectual property of other members' citizens as that provided to their own citizens, taking into account existing exceptions under the Paris Convention (1967), the Berne Convention (1971), the Rome Convention and the Agreement on IPRs on Integrated Electronic Circuits, provided that pertaining to performers, producers of recorded music and broadcast organizations, the relevant obligation applies only to those rights set out in this agreement. Each member makes use of the provisions stipulated in this agreement. Every member who utilizes the provisions of Article 6 of the Berne Conventions and Article 6 paragraph 1 (b) of the Rome Convention is required to submit notification as referred to in the provisions governing the IPR Council.
2. Members may make use of the exceptions referred to in paragraph (1) above in connection with judicial and administrative procedures, including assigning the address of service providers or appointing agents in the jurisdiction of one of the members, only if the relevant exceptions are needed in order to comply with laws and regulations that are not in conflict with the provisions of this agreement and to the extent that it is undertaken in a way that does not cause hidden barriers to trading activities.

In addition, the principle of preferential treatment for certain countries is also set out in Article 4. In case of protection of Intellectual Property, all advantages, benefits or special treatment given by a certain Member to its citizens must be also given instantaneously and unconditionally to other members' citizens. Excluded from this obligation are any advantages, benefits, and special treatment given by members:

- a. Which arise from international treaties on provision of legal assistance and implementation of legal provisions which are general in nature and are not limited solely to IPR protection.
- b. Which are given in accordance with the provisions of the Berne Convention (1971) or the

¹ Agung Sujatmiko and Ari Kurniawan. 2016. Principles of Resolution of Brand Right Disputes from the Perspective of the Agreement on TRIPs, Research Report, p. 26-27

Rome Convention that specifies that the treatment in question functions not in the context of National Treatment, but of the treatment given to other countries;

c. To the extent of the rights of performers, producers of recorded music and broadcast organizations not regulated in this agreement;

d. Which arise from the International Covenant on the Protection of Intellectual Property that has been in force prior to the agreement on the establishment of the World Trade Organization (WTO) came into effect, provided that the agreement is notified to the IPR Council and does not cause arbitrary and unfair discrimination against other Members.

Trademark licensing agreement as a means of increasing the growth of the creative economy industry

Creative economy is an industry that originates from the use of creativity, skills and talents of an individual to create prosperity and employment through the creation and utilization of the creative power and creativity of the individual.²

Furthermore, according to data from the Indonesian Ministry of Trade, the creative economy sub-sectors include:³

a. Advertising, which is creative activities related to advertising services (one-way communication using certain media), which includes the process of creation, production and distribution of advertisements produced, for example, market research, advertising communication planning, outdoor advertising, advertising material production, promotion, public relations campaigns, display advertisements in print media (newspapers, magazines) and electronic media (television and radio), posting of various posters and pictures, distribution of leaflets, pamphlets, circulars, brochures and similar advertisements, distribution and delivery of advertising materials or samples, and column rental for advertisements.

b. Architecture, which is creative activities related to building design services, construction cost planning, conservation of heritage buildings, overall construction supervision from both the macro-level (town planning, urban design, landscape architecture) to the micro-level (construction details, for example, garden architecture, interior design, etc.).

c. Art Goods Market, which is creative activities related to trade in goods which are authentic, unique and rare and have a high artistic aesthetic value through auctions, galleries, stores, supermarkets, and the internet, for example, music instruments, printing, automobile crafts, films, fine art and painting.

d. Crafts, which are creative activities related to the creation, production and distribution of products made by craftsmen starting from the initial design to the process of finishing their products, including items, crafts made from precious stones, natural or artificial fibers, leather, rattan, bamboo, wood, metal (gold, silver, bronze, copper, iron), glass wood, porcelain, cloth, marble, clay and lime. Craft products are generally only produced in relatively small quantities (not mass production).

e. Design, which is creative activities related to the creation of graphic design, interior design,

² The Indonesian Ministry of Trade, Indonesia's Creative Economy Development 2025, p. 4.

³ Ibid., p. 4.

product design, industrial design, corporate identity consulting and marketing research services as well as packaging production and packaging services.

f. Fashion, which is creative activities related to the creation of clothing designs, footwear designs, and other fashion accessories design, production of fashion apparel and accessories, consultation of fashion product lines, and distribution of fashion products.

g. Video, Film and Photography, which are creative activities related to the creation of video production, film and photography services, and distribution of video and film recordings. This includes script writing, movie dubbing, cinematography, soap operas, and film exhibitions.

h. Interactive Games, which is creative activities related to the creation, production and distribution of computer and video games of entertainment, agility, and education in nature. The interactive game sub-sector is not dominated by mere entertainment, but also serves as a learning or educational aid.

i. Music, which is creative activities related to the creation/composition, reproductive performance, and distribution of sound recordings.

j. Performing Arts, which is creative activities related to content development, performance production (e.g., performance of ballet, traditional dances, contemporary dances, drama, traditional music, music theater, opera, including ethnic music tours), design and making of performance fashion, stage and lighting system.

k. Publishing and Printing, which is creative activities related to the business of writing content and publishing books, journals, newspapers, magazines, tabloids, and digital content as well as news agencies and news search activities. This sub-sector also includes the issuance of stamps, seals, banknotes, blank checks, demand deposits, shares, bonds, shares, other securities, passports, airline tickets, and other special issues. It also includes publishing photographs, engraving and postcards, forms, posters, reproductions, printing paintings, and other printed materials, including micro-film footage.

l. Computer and software services, which are creative activities related to information technology development, including computer services, data processing, system analysis, software architecture design, software and hardware infrastructure design, and portal design including maintenance.

m. Television and radio, which are creative activities related to the creation, production and packaging of television programs (such as games, quizzes, reality shows, infotainment, etc.), broadcasting, and transmission of television and radio program content, including relay station activities of radio and television broadcasts.

n. Research and Development, which are creative activities related to innovative businesses that offer the invention of science and technology and the application of science and knowledge to improve products and the creation of new products, new processes, new materials, new tools, new methods, and new technologies that can meet the market needs, including those related to humanities such as research and development of language, literature, and arts, as well as business and management consulting services.

In addition to the fourteen sub-sectors mentioned above, there is the culinary sector. Thus, culinary is

also an inseparable part of creative economy.

Licensing Agreement and Creative Economy Growth

The issue of licensing is set out in Law Number 20 of 2016 on Marks and Geographical Indications which essentially states that a trademark license is a right granted by the trademark owner to another party to use the trademark rights in the production of goods or services. This license is a grant of rights, rather than a transfer of rights. As stated in Article 1 point 18, a license is a permission granted by the owner of a registered trademark to another party based on an agreement in writing in accordance with legislation to use the registered trademark.

Based on this definition, a license basically provides an opportunity for another party to exercise trademark rights as contained in the exclusive rights of a trademark. With regard to the improvement of creative economy, many businesses in the creative sector are currently growing and developing better due to the licensing factor.

Trademark licensing does not only benefit the trademark owner, but also the licensee. The licensor obtains the benefits of his trademark becoming increasingly known to the public, potentially becoming a famous trademark. In addition, the licensor will receive income in the form of royalties.

The role of trademark licensing agreements in the growth of the creative economy is enormous. It is evident from several culinary industries run by small and medium entrepreneurs. Food products, such as *Roti Boy*, *Bakso Solo*, *Minuman Es Teler 77*, are businesses that are developed with a licensing agreement. Some of the culinary industries are developed with a combination of franchise agreements that also include licensing agreements.

Related to licensing agreements for creative economy products, Article 79 of the Draft Creative Economy states that:⁴

- (1) Creative economy actors as owners or holders of rights to creative economy products can grant permission or license to use commercial creative economy products to another party under certain conditions agreed upon in writing.
- (2) The licensing agreement is valid for a certain period and shall not exceed the period of intellectual property protection as referred to in paragraph (1).

In the future, the government is expected to enact the bill immediately so that the development of the creative economy would be increasingly advanced and rapid as expected. Hence, the government and the House of Representatives should work hard to make a law on Creative Economy based on justice.

Apart from the licensing agreement, creative economy can also be developed through a franchise agreement. According to data from the Indonesian Ministry of Trade, there are more than 23,000 franchise outlets and 12,000 franchise entrepreneurs in Indonesia. There were 350 franchise trademarks in the café industry in 2016.⁵ The turnover is more than IDR 120 trillion, which is mostly made⁶ by the fried chicken culinary industry and the cafe and restaurant business.

⁴ Article 79 of the Draft Creative Economy.

⁵ www.Franchise-expo.co.id/Press?news/350-Brand-Franchise-Industry-Cafe-2016. Accessed on September 20, 2017.

⁶ Ibid.

There are two types of licensing agreements in practice:

1. Exclusive. Licensing agreements in this form restrict the owner of the trademark and licensee to grant licenses to other third parties.
2. Non-exclusive. In this form, the licensor and licensee are not restricted to granting licenses to other third parties.

Law Number 20 of 2016 on Marks and Geographical Indications adheres to the non-exclusive type. Non-exclusive licensing agreements have several advantages:

1. The risk can be minimized, both for the licensor and licensee.
2. The licensor can control the licensed products or services and technology.
3. The difference in the quality of products or services and its technology can be minimized.

Some of these advantages become the rationale and basis for consideration for the parties to make a non-exclusive agreement. Non-exclusive licensing agreements in creative economy will encourage economic actors to increase their production. If it is made, it will not only provide value and benefits, but it can also increase the growth of creative economy nationally.

On the basis of data on the turnover of the franchises of the culinary sector, franchising in the food and café sector needs to be developed in the future in order for the creative economy to develop more rapidly. Thus, improvements are required. Some obstacles to creative economy development include:⁷

1. Lack of number and quality of creative human resources, requiring development of educational and training institutions capable of producing industrial actors;
2. Lack of development climate conducive to starting and running a new creative industry business which includes administrative systems, regulatory policies and infrastructure that are expected to be conducive to the development of creative industries;
3. The low appreciation for creative industry actors both financially and non-financially;
4. The sluggish efforts to accelerate the growth of information and communication technology related to the development of market access and creative industry innovation.

The government is quite focused to address the shortcomings, given that creative economy is very strategic for several reasons, including:⁸

- a. Creativity can improve the competitiveness of Indonesian products since it is the main input of the design and Research and Development process which will produce innovation. High competitiveness can increase company profits and increase labor income, which can in turn improve purchasing power and quality of life (well-being) of the people.
- b. Creativity-based entrepreneurship development can also be oriented towards social innovation. In this case, innovation and creativity play a role in empowering the bottom of the

⁷ Helfirsyah Alimin, Creative Economy, Computer Application Papers, 20 June 2015.

⁸ The Indonesian Ministry of Trade, Op. Cit., p. 36.

pyramid of population as workers. The motivation of social innovation is to achieve a better quality of life in terms of happiness which is built on the principle of togetherness and sharing.

- c. Statistically, it is evident that workers in the creative industry sector earn income above that of those workers in other industry sectors. Thus, this indicates that creative workers is a promising profession in the future.

Based on the above reasons, creative economy needs to be developed since it has a significant economic contribution to the Indonesian economy. It can create a creative business climate, strengthen the image and identity of Indonesia, support the use of renewable resources, constitutes a center for innovation creation and formation of creativity, which has positive social impacts.

IV. Conclusions

Some conclusions can be drawn:

1. The principles of legal protection of trademark rights adhere to the constitutive system, meaning that protection is only given to registered trademarks. If a trademark is not registered, it would not obtain any protection from the State. Thus, trademark registration constitutes an obligation and the registration is accepted by the Office of the Directorate of Trademark Rights and Geographical Indications, Ministry of Law and Human Rights of the Republic of Indonesia. In addition, if there are other parties violating trademark rights, the trademark owner can file a lawsuit to revoke the trademark and claim for trademark violation. Both cancellation and violation claims must be submitted to the Commercial Court.
2. Trademark licensing agreements made by licensors and licensees make positive contributions to the development and growth of creative economy undertaken by creative economy actors. Such contribution includes increased income for the parties and the State. Therefore, the State is quite focused on creative economic development. Development and growth of creative economy encourage people to think creatively and innovatively.

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