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# PARALLEL IMPORTS IN TRADEMARKS

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## Abstract

*According to Article 3 of Act Number 15 of 2001 on Trademark, the exclusive nature of trademark rights legalizes monopoly. Based on this exclusivity, the right holders of trademarks can decide when and where they can first introduce a trademarked product to the market. This right is known as a distribution right. Once marketed however, the right holder cannot prevent their trademarked product being imported outside of the initial chosen market (exhaustion of rights).*

**Keywords:** *exclusive rights, distribution rights.*

## Intisari

Menurut Pasal 3 UU Nomor 15 Tahun 2001 tentang Merek, bahwa hak atas merek bersifat khusus. Hak tersebut bersifat monopoli. Berdasarkan hak eksklusifnya, pemegang hak merek dapat memutuskan kapan dan dimana dia akan meletakkan produk yang terkait dengan kreasi intelektualnya di pasaran untuk pertama kalinya. Hal itu dinamakan hak distribusi. Manakala telah diputuskan pemasarannya, maka yang bersangkutan tidak dapat mencegah produk kreasi intelektualnya itu diimpor di luar wilayah pemasaran yang telah dipilihnya pertama kali (*exhaustion right*).

**Kata Kunci:** hak eksklusif, hak distribusi.

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## A. Background

One inescapable key issue in status quo is the issue of Intellectual Property Rights (IPR). IPR are born of human design as means to fulfil society's needs. The existence of intellectual products as forms of IPR is of high necessity. For example in commerce, the smooth sale of goods and services require the use of trademarks. The function of trademarks in commerce is crucial, not only to differentiate similar goods and services, but also as a tool to restrain and control competition for consumers.

A well-known trademark also functions as goodwill and an invaluable corporate asset. As such, well-known trademarks become very important and valuable to their owners, leading them to guard against misuse of their trademark by others, for example through fraud, copying, piggy-backing, unlicensed usage and so forth. These forms of trademark infringement damages not only the owners, but also license holders as well as the state. The state is damaged through a reduction of tax revenue. These forms of trademark infringement basically are violations of the exclusive rights attached to a trademark. The exclusive right is a monopoly right and may only be exercised by the trademark owner.

Exclusive rights as regulated by Article 3 of Act No. 15 of 2001 on Trademarks (Trademark Act) means that a trademark is a right of a trademark owner to use their trademark right and to stop other parties from using that same right. The prohibition of other parties to use the trademark right is the implementation of a trademark's monopolized nature. In principle, a trademark may only be used by its owner. Other parties may only use the trademark after obtaining permission from its owner.

On the other hand, Article 17 of the Trade Related Aspects of Intellectual Property Rights

(TRIPs) states that "Members may provide limited exceptions to the rights conferred by a trademark, such as fair use of descriptive terms, provided that such exceptions take account of the legitimate interests of the owner of the trademark and of third parties."

Based on the above, a state party may apply a limited exception to existing trademarks, such as fair use of descriptive terms taking into account legitimate interests of owners and third parties. In relation thereto, Europe recognizes 'a mere local significant use' as recognition of a party's right to a trademark for local use.<sup>1</sup>

Provisions as stipulated within Article 6 of TRIPs does not exist in the Trademark Act. However, it may implicitly be seen from a trademark owner's distribution right which stems from their exclusive right. The provision is known as the principle of exhaustion of rights, which states that "a right is exhausted once it is put onto the market by or with consent of the right holder. Exhaustion can only occur once a trademark protected good has been placed on the market by or with the consent of the trademark owner."<sup>2</sup> Basically, a trademark owner cannot use their exclusive right to stop or control subsequent sale of trademarked products or goods, when its first sale is done by the trademark owner, or with the trademark owners' permission or agreement.<sup>3</sup> This is based on the assumption that the IPR owner has received sufficient compensation –as intended– through the initial sale.<sup>4</sup>

Based on a trademark owner's exclusive rights, that owner may decide when and where to first introduce a trademarked product to the market. When initial marketing has been decided, then the trademark owner cannot prevent their product from being imported outside of the initially chosen market.<sup>5</sup> If a trademark owner misuses a trademark, in the sense of violating exhaustion

<sup>1</sup> Rahmi Jened, "Implikasi TRIPs (Agreement on Trade Related Aspects of Intellectual Property Rights) bagi Perlindungan Merek di Indonesia", *Yuridika*, Vol. 12, No. 6, January 2000, Faculty of Law Universitas Airlangga, Surabaya, p. 56.

<sup>2</sup> *Ibid.*, p. 68.

<sup>3</sup> Silvia Zarpellon, 2000, *The Scope of The Exhaustion Regime for Trademarks Rights*, ECRL, London, p. 1.

<sup>4</sup> Rahmi Jened I, *Loc.cit.*, p. 56.

<sup>5</sup> *Ibid.*

of rights, it does not bring about voiding of the trademark. The trademark exists, but its exercise may be burdened by a non-voluntary license.<sup>6</sup>

The issue of parallel imports have not been regulated under the Trademark Act, depriving the government capacity to regulate parallel imports. Therefore, a discussion on parallel import must be conducted to facilitate government regulation in future trademark acts.

Stepping from this background, the legal issue at hand will be the principle of exclusive rights in trademarks and its connection with parallel imports.

## **B. Research Method**

### **1. Approach**

This study is a legal research discussing the principle of exclusive rights and parallel imports, as well as their dispute settlement. The approaches used will be the statutory, conceptual, comparative and case approach. The statutory approach will be used to analyze the principle of exclusive rights and parallel imports from current regulations. The conceptual approach will be used to analyze concepts related to exclusive rights and parallel import, while the comparative approach will be used to view the application of exclusive rights in common law systems. Finally, the case approach will be used to examine cases of trademark infringement.

### **2. Sources of Law**

To facilitate the methods above, an analysis will be conducted to available sources of law. Sources of law are divided between primary sources in trademark law comprising of Acts, Government Regulations, and Presidential Decisions which regulate trademark. Meanwhile, secondary sources of laws are research findings in trademark law, scholarly opinion, law books and law journals.

### **3. Data Collection Method**

Sources of law are collected through the snowball method using a card system. This

procedure is done through stockpiling and categorizing primary and secondary sources of law based on the legal issues for this research. Available data will be analyzed through a comparative law method. This method will be done by analyzing topics in accordance with the specified legal issues.

### **4. Data Analysis**

The stockpiled primary and secondary sources above will be divided and analyzed using the statutory approach and conceptual approach to achieve basic knowledge from those sources, which will be connected with prevailing theories. Those sources will subsequently be analyzed and examined by comparing it with doctrines, theories and legal principles raised by experts. Finally, a normative analysis will be conducted to the data by providing legal arguments. To complete this analysis, cases of trademark infringement at the research area will also be examined.

## **C. Results and Discussion**

### **1. Receiving Trademark Rights**

Trademark rights under the Trademark Act is given through a constitutive system. This system emphasizes that recognition and legal protection through trademark is given on a first to file basis (first to file principle), as long as the application is accepted by the Directorate General of IPR of the Indonesian Ministry of Law and Human Rights. This system has given more legal certainty than the declarative system given to the first user (first to use principle).

The declarative system was once utilized in Act No. 21 of 1961 on Trade and Commercial Marks, which states that:

Special rights to use a trademark to differentiate an individual's or a legal entity's industrial good or commercial goods from objects belonging to others is given to whomsoever first uses that trademark for that purpose in Indonesia.

<sup>6</sup> *Ibid.*

Based on the above, special rights attached to trademarks are given to the first user. Whomsoever could prove that they are the first user of a trademark will receive legal protection. Soerjatin opines that this first user does not mean that the trademark in question has been previously used, but that it has already been used before an adverse party has used it. So, the critical moment is that when a dispute occurs, both parties must prove before the court who among them had first used the trademark.<sup>7</sup>

Even though Act No. 21 of 1961 adopted a declarative first to use principle, it has also accommodated trademark registration. This is found in the General Elucidation to Act No 21 of 1961, which emphasizes that special rights to use a trademark under law depends *a quo* on the first use of the trademark. The first user of a trademark is considered to be the one who first registers the trademark unless otherwise proven.

Yahya Harap opines that Act No. 21 of 1961 contains a dualism, on one hand utilizing the first to file principle, where the first registered owner of a trademark has special rights than other owners, but on the other hand prioritizing the first to use principle.<sup>8</sup> Bambang Sulistyobudi meanwhile, sees that this may create difficulties in proving who the real first user is, leading to legal uncertainty.<sup>9</sup>

Based on these facts, subsequent trademark acts starting from Act No. 19 of 1992, Act No. 14 of 1997 up to Act No. 15 of 2001 do not recognize the declarative system and utilizes the constitutive system. The use of this new system is also in line with the requirement needed to ratify the TRIPs. This requirement is enshrined in Article 18 TRIPs which states that "Initial registration, and each renewal of registration, of a trademark shall be for a term no less than seven years. The registration

of a trademark shall be renewable indefinitely." This provision clearly states that only registered trademarks are protected.

The development of the constitutive system is made ever more apparent by its inclusion in the Model Law for Developing Countries on Marks, Trade Names and Acts of Unfair Competition, which in Article 4 explains that exclusive right over a trademark is only obtained through registration<sup>10</sup>

Yahya Harahap states that the constitutive system has several advantages, being:<sup>11</sup>

1. Legal certainty to determine who the real owner –who shall receive priority protection– of a trademark is. It is enough to look at who has the earlier filing date in the Trademark General List;
2. Legal certainty for evidence as it would be based on the factual truth of registration;
3. To establish proper ownership of a trademark would no longer create controversy between the first to file and the first to use, as the first to file will prevail;
4. Therefore, the basis to determine who the most proper owner of a mark is need only be determined on a first to file basis and proof would be based on authentic documents, making it easier to draw legal conclusions than with the declarative system. This has the positive effect of simplifying disputes, making it cost effective and quick.

Based on the above advantages of the constitutive system, this was the chosen system under the Trademark Law. This is reinforced by Article 3 which states that "rights to Trademarks are exclusive rights given by the State to the Trademark owner who is registered in the Trademark General List for a certain time period by using the Trademark themselves or by giving permission to other parties to make use of it".<sup>12</sup>

<sup>7</sup> R. Soerjatin, 1980, *Hukum Dagang I dan II, Third Edition*, Pradnya Paraminta, Jakarta, p. 96.

<sup>8</sup> Yahya Harahap, 1996, *Tinjauan Merek secara Umum dan Hukum Merek di Indonesia berdasarkan UU No. 19 Tahun 1992*, Citra Aditya Bakti, Bandung, p. 336.

<sup>9</sup> Bambang Sulistyobudi, 2003, *Aspek Hukum dalam Persaingan Usaha Tidak sehat Atas Hak Merek (Khusus Kemasan Merek)*, Thesis, Master of Law Universitas Diponegoro, Semarang, p. 79.

<sup>10</sup> Muhamad Djumhana, 2006, *Perkembangan Doktrin dan Teori Perlindungan Hak Kekayaan Intelektual*, Citra Aditya Bakti, Bandung, p. 74.

<sup>11</sup> Yahya Harahap, *Op.cit.*, p. 340.

<sup>12</sup> Article 3, Act No. 15 of 2001 on Trademark (State Gazette No. 110/2001, Supplement to the State Gazette No. 4131).

What is contained in Article 3 Trademark Law above basically emphasizes that only the registered owner of a trademark will be given exclusive rights from the state. This granting of exclusive right is the form of recognition and legal protection towards owners of trademarks registered lawfully in the Trademark General List at the Directorate General of IPR at the Indonesian Ministry of Law and Human Rights. Therefore, for a trademark to be protected under law, it must be registered. Thus, registration is compulsory.

The registration of a trademark right is done through the procedure set out in the Trademark Act. Article 4 of Trademark Act emphasizes that trademarks may not be registered by an applicant in bad faith. According to the Elucidation to Article 4, an applicant acting in good faith is an applicant who registers their trademark properly and honestly, without any intent to piggy-back, imitate or copy the fame of another party's trademark, for the applicant's business interests, which causes damages to the other party or creates an unfair competition, deceives or misleads consumers. For example, Trademark A is well known by society for years, and is imitated in such a way that the imitation has principal or overall similarity with Trademark A. In this example, bad faith was shown by the imitator because the imitator should have been aware of the intent to copy the well-known Trademark.

According to the Elucidation of Article 4, there are several criteria to determine good faith:

1. Registering their trademark properly and honestly;
2. Without any intention to piggy-back, imitate or copy the fame of another party;
3. It does not cause damage to another party;
4. Or does not create unfair competition, deceives or misleads the consumers.

Meanwhile, Article 5 Trademark Act emphasizes that trademarks may not be registered if they contain one of the following elements:<sup>13</sup>

1. It is contrary to prevailing law, religious morality, decency or public order;
2. It does not have a differentiating factor;
3. It has become public property;
4. It is a form of information or relates to the object or service which warrants registration

The above provision of Article 5 are the absolute grounds for rejection of a trademark's application, which basically states that a trademark cannot be registered on the basis of their capacity to differentiate a trademark from other trademarks.<sup>14</sup>

Meanwhile, further requirements in Article 6 Trademark Act requires that:<sup>15</sup>

- (1) An application must be rejected by the Directorate General if the trademark:
  - a. Has a principal or overall similarity with another party's trademark which has been previously registered for like goods and/or services;
  - b. Has a principal or overall similarity with another party's well-known trademark for like goods and/or services;
  - c. Has a principal or overall similarity with a known geographic indication.
- (2) The provision as meant in sub-article (1) (b) can also be applied to non-like goods and/or services as long as it fulfils certain requirements which will be regulated by government regulation.
- (3) The application must also be rejected by the Directorate General if the trademark:
  - a. Constitutes or resembles a famous person's name, photo or the name of a legal entity owner by another person, except with written consent of the rightful party.
  - b. Constitutes an imitation or resembles an acronym, flag, sign, symbol, emblem of a state, or a national or international state organ, except with written consent of the authorized party.

<sup>13</sup> Article 5, Act No. 15 of 2001 on Trademark (State Gazette No. 110/2001, Supplement to the State Gazette No. 4131)

<sup>14</sup> Rahmi Jened, 2006, *Penyalahgunaan Hak Eksklusif Hak Kekayaan Intelektual*, Dissertation Post-Graduate Programme, Universitas Airlangga, Surabaya, p. 174.

<sup>15</sup> Article 6(1), Article 6(2), and Article 6(3) of Act No. 15 of 2001 on Trademark (State Gazette No. 110 Year 2001, Supplement to the State Gazette No. 4131).

- c. Constitutes an imitation or resembles an official seal or stamp used by the state or government institution, except with written consent of the authorized party.

The above requirements are relative grounds to reject an application based on the existence of prior rights.<sup>16</sup>

The requirements found in Articles 5 and 6 Trademark Act is meant to sift and select so that registered trademarks do not violate prevailing requirements and previously registered trademarks of other parties. Rahmi Jened states that the criteria of overall similarity (identical marks) exists if a mark which has overall similarity with another previously protected mark is used for like products.<sup>17</sup> Meanwhile, principal similarities are deemed to exist if a trademark is almost identical with another trademark, based on visual or auditory similarities, or a similarity of meaning.<sup>18</sup>

What Rahmi Jened had advocated is that it is sometimes difficult to differentiate between principal and overall similarity, because an auditory similarity can create a principal similarity. Therefore, Yahya Harahap opines that a description is needed, which gives further explanation to the doctrine of similarity of trademarks, to anticipate cheating and bad faith in the business world.<sup>19</sup> The wide scope of that description would [surround the intent] to take or imitate another party's registered trademark.<sup>20</sup>

- a. Very identical or almost identical in its description with another party's trademark;
- b. Using a close similarity with another party's registered trademark, is considered a disturbance and deceitful in addition to being an act of unfair competition.

Meanwhile, according to Feng Zonggi, the existence of identical trademarks or similarities

between one party's trademark and another's is caused by:<sup>21</sup>

- a. Using the same or similar words or characters;
- b. Using the same or similar forms or equipment;
- c. Is of the same or similar size, design or decoration with another product;
- d. Has a large potential to mislead the society.

In South Korea, the problem of trademark usage which contains similarities is considered as unfair competition if it fulfils the following requirements:<sup>22</sup>

- a. The trademark used is well-known;
- b. The use of that trademark creates confusion and is misleading.

Article 6(2) Trademark Act as meant in sub-article 1(b) may also be applied towards non-like goods and/or services so long as it fulfils certain requirements which will be set in Government Regulation. This provision in principle extends protection towards trademarks, because trademarks basically exist to differentiate like objects. It does not become a problem if a trademark that has been used in electronics becomes used for non-electronic products; such as the use of the 'Sony' trademark -which has been used for television- for shoes. Shoes and television are not like objects, so there should be no violation. However, Article 6(2) may render it a violation, because well-known trademarks -such as Sony- have expanded protection, not only to like objects but also non-like objects.

This requirement harbors the meaning of state recognition of well-known trademarks. In this context, the protection to well-known trademarks is special and excessive. This is because it is difficult to build up the fame of a trademark.

<sup>16</sup> Rahmi Jened, 2006, *Op.cit.*, p. 179.

<sup>17</sup> Rahmi Jened, *Ibid.*, p. 181.

<sup>18</sup> *Ibid.*

<sup>19</sup> Bambang Sulistyobudi, *Op.cit.*, p. 48.

<sup>20</sup> *Ibid.*

<sup>21</sup> *Ibid.*

<sup>22</sup> *Ibid.*, p. 64.



A trademark becomes well-known through a long and costly process. It must be advertised heavily, continuously and concurrently in various countries for a long period of time. Furthermore, the quality of the product must be maintained and increased so that the consumers continue to recognize and choose the product. If society at large is interested and uses the trademarked goods, then it will be valued and recognized, allowing the trademark to become trustworthy and well-known.

## 2. Exclusive Rights and its Connection to Parallel Imports

The exclusive right found in Article 3 Trademark Act is a trademark owner's right to use their trademark and to stop its use by others. This prohibition of usage is the implementation of a monopoly natured right. In principle, this right may only be used by the owner of a trademark. Others may only use once permission from the trademark owner is given.

However, Article 17 TRIPs regulates that "Members may provide limited exceptions to the rights conferred by a trademark, such as fair use of descriptive terms, provided that such exceptions take account of the legitimate interests of the owner of the trademark and of third parties."

Based on the above, state parties may provide limited exceptions to existing trademarks, such as the use of descriptive terms as long as those exceptions take into account the legitimate interests of the trademark's owner and third parties. For this reason, Europe recognizes 'a mere local significant use' as recognition of someone's right over a trademark exclusively for local use.<sup>23</sup>

Furthermore, in principal a trademark can only exist in relation to a commercial activity. In connection to this commercial activity, Article 6 TRIPs affirms that "For the purposes of dispute

settlement under this Agreement, subject to the provisions of Articles 3 and 4 nothing in this Agreement shall be used to address the issue of the exhaustion of intellectual property rights."

What it means is that trademark owners may only exercise their exclusive right up to the first sale of their trademarked product. Trademark owners may not stop the use of their trademark, related with a product which has enter the market circulation of a certain state, which was introduced by a party authorized by that owner or through the owner's permission. This may be seen in the *Peak Holding* case (C-16-03) from the European Court of Justice (ECJ):<sup>24</sup>

Good bearing a trademark cannot be regarded as having been put on the market in the European Economic area where the proprietor of the trademark has imported them into the European Economic Area with a view to selling them there or where he has offered them for sale to consumers in the European Economic Area, in his own shops or those of an associated company without actually selling them.

Provisions such as enshrined in Article 6 TRIPs does not exist in the Trademark Act. However, it may be seen implicitly from the distribution right of trademark owners which encompasses the owner's exclusive right. This principle is known as exhaustion of rights, which means that "A right is exhausted once it is put onto the market by or with consent of the right holder. Exhaustion can only occur once a physical protected good has been placed on the market by or with the consent of the owner."<sup>25</sup> In essence, trademark owners may not use their exclusive rights to stop sales or control subsequent marketing from a trademarked product or good after first sale had been conducted by that owner or based on that owner's agreement.<sup>26</sup> This is based on the assumption that the IPR holder has received sufficient compensation as intended

<sup>23</sup> Rahmi Jened, "Hak Kekayaan Intelektual dan Persaingan Sehat", *Paper*, Intellectual Property Rights Training for Academics and Prodioners, Faculty of Law Universitas Airlangga, Surabaya, 26-28 June 2008, p. 56.

<sup>24</sup> Warwick A. Rothnie, 2003, *Paralel Import*, Kluwer, London, pp. 418-422.

<sup>25</sup> Rahmi Jened, *Op.cit.*, p. 68.

<sup>26</sup> Silvia Zarpellon, *Op.cit.*, p. 1.

after the first sale.<sup>27</sup>

Based on exclusive right, a trademark holder may decide when and where the trademarked product may first be marketed. After this decision is taken, then the owner may not prevent their trademarked product from being imported outside of the first market's area.<sup>28</sup> If the trademark owner misuses their trademark right, in the sense of violating their exhaustion of rights, it does not render the right void. The trademark right still exists, but in its exercise it may be subject to non-voluntary license.<sup>29</sup>

M. Hawin has stated that "The exhaustion principle means that the lawful initial sale of an intellectual property owner's goods effectively exhausts the owner's right to control any subsequent dealing with the goods".<sup>30</sup> The principle of exhaustion of rights is related to what is known as parallel import.

In relation thereto, M. Hawin opined that:<sup>31</sup>

Parallel imports are goods manufactured outside the jurisdiction by, or under the authority of the owner of an Industrial Property Right relating to these goods, but imported by someone other than an authorized importer or distributor. The act of importing these goods is referred to as parallel importation.

Parallel import in trademark is closely related to a trademark owner's distribution right. There is a case in Europe, *Consten grundig v. Commission* which deals with that concept.<sup>32</sup> The case begins with a distribution contract by Grundig, from Germany which appoints and gives distribution rights over Grundig's products to Consten in France, and was required to make a substantial investment to supply spare parts and adequate repair services. Consten agreed not to sell competitor's products and not to send goods

within agreed territory. Consten was assured by Grundig that the same limitation was applied to other distributors. However, it turns out that Grundig's product was sold in French territory by a competitor (another one of Grundig's distributor) from Germany. Consten argued that there was unfair competition based on French law against the German competitor which also distributed Grundig's products in France, cutting into Consten's profits through parallel import.

The case was brought to the ECJ,<sup>33</sup> where the court differentiated between the existence of a right and its exercise. The existence of IPR still remained a priority and the authority of each state's national laws. However, the implementation of IPR must comply with European competition rules. Thus, the exercise of trademark rights does not venture into its existence which is regulated under national law. Therefore, Article 295 EC Treaty becomes a filter to the application of national IPR laws (including copyright or Industrial Design) from competition law.<sup>34</sup>

The issue regarding the principle of exhaustion of rights can be related to the rules on the free movement of goods as one of WTO's instruments to achieve—as the multilateral treaty aims for—fair competition. The argument behind an exhaustion of rights is that the trademark owner has received sufficient compensation from the first sale, and therefore no longer has the power to stop parallel import since the right is deemed to have been exhausted when the owner choose to first market the product. The trademark's exclusive right cannot be used to stop the sale or control subsequent marketing of the product when the first sale has been carried by the trademark owner, with their permission or by their agreement.<sup>35</sup>

<sup>27</sup> Rahmi Jened, *Op.cit.*, p. 56.

<sup>28</sup> *Ibid.*

<sup>29</sup> *Ibid.*

<sup>30</sup> M. Hawin, "Parallel Importation of Patented Goods", *Mimbar Hukum*, Faculty of Law Universitas Gadjah Mada, Yogyakarta, No. 46/II/2004, p. 1.

<sup>31</sup> *Ibid.*

<sup>32</sup> Rahmi Jened, *Op.cit.*, p. 71.

<sup>33</sup> *Ibid.*

<sup>34</sup> *Ibid.*

<sup>35</sup> Rahmi Jened, "Apakah Tindakan Parallel Import Merupakan Pelanggaran Hukum?", *Warta Unair*, No. 38/IV, September 2008.

Based on the above provision, –applicable in the European Union– there are several acts taken by third parties in trade, which although they relate to a protected trademark, are not considered violations:<sup>36</sup>

- a. The use of personal name in trade;
- b. Indications of the type, quality, quantity, geographical origin and other characteristics of a product or service;
- c. Trademarks necessary to show the purpose of a product or service which specifically relates to accessories or spare parts, so long as it is not contrary to honest trade practices.

Meanwhile, another case exists in Australia which relates to parallel imports: *R.A. Bailey Co. Ltd. V. Boccaccio Pty. Ltd.*<sup>37</sup> In this case, the producer of Bailey's Irish Cream Liqueur was engaged in a distribution agreement with an Australian company. Boccaccio then bought the same drink from distributors in England, imported and then resold those drinks in Australia. The court declared that the defendant has broken plaintiff's right through their license agreement to sell those products in Australia.

To prevent violation against well-known trademarks through parallel imports, Hendra Pramono opines that a preventive action could be taken by applying basic principles found in Part IV, Articles 51-60 TRIPS on Special Requirements Related to Border Measures which regulates the law enforcement authority of customs and excise agencies.<sup>38</sup> Such prevention could take the form of a request to a customs and excise official for a delay in the marketing of imported or exported

goods in large numbers from a certain excise jurisdiction, based on sufficient evidence and with suspicion that these goods are infringing trademarks protected by Indonesia. Meanwhile, the trademark owner is sure that no permission from that owner or a license recipient was given for a trademark to another party in the state where the goods were imported from.

#### D. Conclusion

Parallel imports in trademarks are closely related to the exhaustion of rights and exclusive rights. Parallel imports are possible in trademarks, sine trademarks exists in a commercial world involved rapid movement of goods. Parallel imports are not violations of exclusive rights of trademarks, since exclusive right holders of trademarks may decide when and where to first market a trademarked product. After initial marketing is decided, the owner can no longer stop the trademarked product to be imported outside of the initial marketing area. The argument behind this exhaustion of rights is regulated in the TRIPS, and assumes that the trademark holder has received sufficient compensation as intended based on the initial sale. Therefore, trademark owners are no longer authorized to prevent parallel imports as their rights has been exhausted after initial sale. Their exclusive right cannot be used to prevent sale or control subsequent marketing of trademarked goods after first sale has been done by the trademark owner, with the owner's permission or with the owner's agreement.

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<sup>36</sup> Warwick A. Rothnie., *Op.cit.*, p. 422.

<sup>37</sup> Hendra Pramono, "Perlindungan Hukum Lisensi Hak Merek Terkenal di dalam Sistem Hukum Indonesia", *Varia Peradilan*, No. 258, May 2007, p. 77.

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