

# Legal Protection Implications on Trademark in Indonesia by Comparing the First to Use and First to File Principles

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## ABSTRACT

*Trademark is intangible goods. In the trademark, inherent value is an intangible asset for the owner because the trademark gives ownership rights as the legal subject, namely individuals (natural person) or legal entities (recht person), so that trademarks become intangible assets. Because the trademark has value, it is appropriate for trademark owners to get legal protection. Legal protection for trademark in Indonesia is only given to trademark owners who register their trademarks for the first time, in the principle, first to file. Currently, Indonesia does not use the principle of first to use, where the first trademark user has protection against the trademark. The application of these two principles has a difference to the implications for legal protection provided specifically on company-owned trademarks. This paper will discuss the differences in the implications of legal protection for company trademarks in Indonesia by comparing the principles of first to use and the principle of first to file. This paper used normative method with an economic analysis of law approach. The results showed that the principle of first to file in trademark registration more fulfilled the principles of rational choice, efficiency, value and utility compared to the principle of first to use.*

**Keywords:** *Trade Mark, first to use, first to file, declarative and constitutive principles*

## 1. INTRODUCTION

Trademark is the output of intellectual property that is part of the rights included in the private property rights [1]. The concept of private property rights has long been recognized and has been regulated by various countries' laws. This justification of private property rights began when John Locke introduced his natural rights theory. According to Locke, property is basically owned by everyone, but certain individuals have a natural right to personal use if the person concerned has a role in producing it [2].

Initially the concept of private property rights only included physical objects or tangible, consisting of movable or immovable objects. Gradually the need arises to understand private property rights in a broader sense, namely property rights which include non-physical or intangible objects [3]. Those who have used their time, energy, thoughts, funds or investment to create a brand as intellectual property are entitled to protection by gaining a position as owner. As a result, he is entitled to benefit from the ownership as regulated by law.

Based on natural right theory, a creator has the right to control the use and profit of ideas, even after that is revealed to the public. A person who discovers or creates an invention is morally entitled to the exclusive use of the invention [4].

Internationally, there are two principles that are adopted in order to obtain legal protection for exclusive rights over trademark,

namely through the principle of first to use and the principle of first to file.

## 2. BACKGROUND

### 2.1 HISTORY OF INDONESIAN TRADEMARK LAW

In Indonesia, the history of trademark law began in 1961, namely the formation of Law Number 21 of 1961 concerning Company Trademarks and Commercial Trademarks (State Gazette of the Republic of Indonesia No. 290, Supplement to State Gazette No. 2341) which replaced the Industriële Eigendom Kolonien Regulations Stb. 1912 Number 545 jo. Stb. 1913 Number 214. Those two laws have much similarity. The difference only lies in the validity period of the trademarks, which is ten years according to the Trademark Law 21/1961 and that validity period is much shorter than RIE 1912 which is twenty years [5].

In 1992 the Trademark Law Number 19 of 1992 (Statute Book No. 81 of 1992) was formed which functions to revoke Law 21/1961 which was later revised in 1997 and 2001 by adjusting the Agreement on Trade Related Aspects on Intellectual Property Rights (TRIPs), by the issuance of Law Number 15 of 2001 concerning Trademarks [6]. Then on October 27, 2016, the government together with the House of Representatives (DPR) passed Law No. 20 of 2016 concerning Trademarks and Geographical Indications which replaced Law 15/2001. The change in the principle of trademark law first occurred in 1992,

where there was a change from first to use principle or declaration system to first to file principle or constitutive system [7].

The most striking difference is the use of the so called “*active constitutive system*” of registration. The registration creates or constitutes the right on the trademark. Without registration, no protection is rendered to a “Mark” (covering trademarks and services marks). Article 3 Trade Mark Law 1992 “The right on mark is the exclusive right, granted by the State to the owner of a mark, **registered** in the general Register of Marks”. So, without registration, no right on a mark. “**first to register**” give entitlement to protection of the marks [8].

Gautama (stated that differently, the Old Trade Mark Law 1961 created the right on a trademark by “*first to use*”. The first to user of a trademark is the rightful owner. No registration is legally required. By first to use one becomes the owner of a mark, not by first registration. The registration only served as a “*legal presumption*” of being the first user, and therefore the owner of a trademark. However, if another party can give evidence that he was first user, then the registration could be annulled. The role of the trademark office is more passive, compared with its function under the new Trade Mark Law 1992. According to the new system, the register has a more “*active*” role, as publication and possibility of third parties objecting to the registration and substantive examination has to be effected, before the mark could be accepted for its registration. The constitutive system of the 1992 Trade Mark Law is distinct from the “*declarative system*”. Compared with the 1961 Trade Mark Law, the newer Trade Mark Law 1992 give more legal certainty [9].

As mentioned above, the 1961 Trade Mark Law adhered to the declarative system, where the Trademark Office has a passive role, while under the 1992 Trade Mark Law, this office is more actively engaged in scrutinizing whether the applicant for registration is really the owner of the trademark, acting in good faith. The 1961 Trade Mark Law is regarded as not guaranteeing enough legal certainty compared with the 1992 Trade Mark Law. It also created problems in the business world as the first user is regarded as being the owner of the trademark. While the registration is only regarded as giving a *presumption of first use*, which could be annulled by others giving evidence of better entitlement based on first use. Differently, the 1992 Trade Mark Law uses the constitutive system, by which the first registrant in good faith is to be regarded as being the rightful owner of the trademark. Because the system has been changed, under 1992 Trade Mark Law, it is indicated that branches of the trademark office will be established in the regions of the whole territory of Indonesia and not only centered in the capital city of Jakarta like before. The branches in the regions will decentralise the Trademark Office duties and give an opportunity to file applications for registration also in the regions outside Jakarta. The rightful owner of a trademark acting in good faith may apply for registration. Ownership of a trademark could be vested in an individual person or persons or a legal entity. Indonesian nationals as well as foreigners may apply to register [10].

## **2.2 FIRST TO USE AND FIRST TO FILE PRINCIPLES**

On the one hand, first to use principles in the trademarks relevant with the declarative system where legal protection for a mark is obtained without the need to register the trademark, but by proving that he is the first trademark user. On the other hand, first to file principles relevant with the constitutive system, where legal protection of trademarks is obtained through trademark registration. Who registers the trademark for the first time, he will have legal protection.

In a declarative system, the party entitled to the mark is not the party who has formally registered the mark, but it must be the party who truly uses or uses the mark. those who really use the

mark cannot simply stop using it by another person, even if the latter person registers the mark. In a declarative system those who do not register their marks are protected, as long as they are the first users. The weakness of this system is the lack of a guaranteed sense of legal certainty. Because people who have registered their trademarks can be canceled at any time by another party claiming to be the first user. The declarative system basically relies more on legal presumption, that whoever uses a trademark for the first time in Indonesia deserves to be regarded as the party entitled to the mark concerned or even as the owner. Those who registered the trademark were also considered as the first users. Such that assumption has not only led to legal uncertainty, but has also created many problems and obstacles in the business world [12].

A trademark registration with a declarative system is to give a status that the registration is considered as the first user until someone else proves otherwise. Unlike the declarative system, the new constitutive system will give rise to rights if the mark has been registered. Therefore, in this system registration is a must. In a declarative system, the emphasis is placed on first use. Whoever uses the first mark is considered the legal right for the mark concerned. So the first use is to create trademark rights, not registration. Registration is seen as only giving a prejudice according to the law, alleged law (*rechtsvermoeden*) that the person registering is the first user, that is, who is entitled to the mark concerned [11].

But if someone can prove that he was the first to use the right, then the registration can be canceled by the court and this often happens. For example in the case of “Tancho” which was registered by an Indonesian businessman, but was canceled by the court.

### *A. Tancho Case*

Tancho case by Supreme Court on the Decision No 677/H/Sip/1972 of December 13, 1992. A local entrepreneur, Wong A Kiong trading under the name of Tokyo Osaka Company has registered the trademark “Tancho” for haircosmetics at the Jakarta Trademarks Office. Although he has been successful in registering “Tancho” trademark, the Supreme Court has dedicated that he has not acted in good faith in making the registration, so that upon request of Tancho Kabushiki Kaisha (Tancho Co. Ltd), investing as foreign Investment Company in Indonesia under the name of PT Tancho Indonesia, the registration Tancho in the name of Wong A Kiong has been declared null and void.

It turns out that he has trademark registrations of foreign wellknown trademarks in his name and is using on his products the name of his “Tokyo Osaka Company” giving the false impression to the Indonesian consumer public as if his product are produced by a Japanese Company. The Supreme Court held that he is to be regarded as acting in bad faith, and legal protection is only given to those who are acting in good faith. It is worthwhile to note that good faith in regard to the ownership or use of a trademark is a prerequisite for protection. The Indonesian Courts has so far followed the Supreme Court’s decision in the leading “Tancho” case.

The cancellation of the “Tancho” mark registered by the Indonesian businessman was canceled because the Japanese company was the first to use the mark and was entitled. Registration from Indonesian businessmen has been canceled and crossed off the Register of Trademark Offices. This is seen as giving less legal protection when compared to the constitutive system, namely that registration creates the rights to the mark and it is he who can exclusively use the mark, so that others cannot use it. The constitutive system governing trademark rights does not exist without this registration which gives legal

protection. Because to prove the registration of a trademark through a trademark certificate which become the evidence of the ownership of a trademark. So that the registered mark causes other people to not be able to use it and that other person is not entitled to use the same mark for similar goods.

### *B. Pierre Cardin Cases*

Pierre Cardin, a famous fashion trademark from France, filed a lawsuit against Alexander Satryo Wibowo, arguing that the Pierre Cardin trademark class 03 had been used by the Plaintiff for the first time in 1974 in France. Whereas the Defendant has registered trademark registration number IDM 000028783 in 2005 is an extension of the trademark that has been registered since 1977, then registration was extended in 1985, then extended for the second time in 1995 and the third extension in 2005. So that the trademark has been registered by the Indonesian people for about 30 years.

The owner of the famous Pierre Cardin brand from France, had just applied for registration of a class 3 mark in Indonesia on November 11, 2014, and was refused by the Director General of Intellectual Property because the Pierre Cardin trademark was registered by an Indonesian, so Pierre Cardin filed a lawsuit. However, Pierre Cardin's lawsuit was refused by the judge until the final verdict in the Supreme Court with the Decision of the Supreme Court Number 557 K / Pdt.Sus-HKI / 2015, the judge stated that the Pierre Cardin's trademark was owned by Alexander Satryo Wibowo who was an Indonesian citizen because he had first registered its mark in Indonesia and has registered its mark for more than 30 years. This is because the principle of first to file applies when a dispute arises. So that the first registrant gets legal protection.

## **2.3 ECONOMIC ANALYSIS OF TRADEMARK LAW**

### **2.3.1 Rational Choice**

There are two choices of principles that can be adopted by the state to provide brand legal protection, namely the principle of first to use and first to file. Of these choices, of course what will be chosen is which principle will give the best results. As rational beings, the choice is made by considering the advantages and disadvantages. The principle of first to use and first to file has the difference between the legal protection that will be obtained through registration or without registration.

When looking at these differences, humans will rationally think, that the principle of first to use has the advantage that the trademark owner who uses the first trademark will get legal protection, without the need to pay registration fees. However, it turns out that this principle has weaknesses, that is, if it turns out that the trademark has been used by someone else, if a dispute arises it will be difficult to prove who is using the trademark first, and makes it less legal certainty to provide legal protection for the trademark.

On the contrary, the principle of first to use has advantages, more the creation of legal certainty in legal protection of trademarks because through registration the mark will be easier to trace, thus minimizing the registration of trademarks that have been registered even though registering a mark will incur a trademark registration fee per class.

### **2.3.2 Value**

Basically, a value can be identified with the human desire for something, to what extent the individual is willing to get it, with money or action, or etc [13]. Legal protection in the first

to file principle is obtained through trademark registration with registration fees per class. For legal certainty, the trademark owner who will register his mark will not object in terms of issuing trademark registration fees per class.

### **2.3.3 Efficiency**

Looking at the tancho case above, the principle of first to use with a declarative system requires more energy regarding its proof. The burden of proof of the first use of a trademark is not limited to the territory of a country. The cancellation of the Tancho brand used by Indonesians was because the Japanese company was the first using the mark. Thus, tancho trademark registration in Indonesia was canceled by the Supreme Court.

Unlike the case of the Pierre Cardin trademark, in which the first user was a Frenchman who had used his trademark for the first time in 1974, but had just filed a trademark registration in Indonesia in 2014, whereas in 1977 the Pierre Cardin trademark was registered by a person Indonesia. So that in a dispute, the first registrant wins, not the first trademark user. This is in line with the principle of first to file.

The principle of first to file with a constitutive system, which emphasizes legal protection only obtained through trademark registration will be more efficient. That way, those who want to register the trademark, can do a search first to check whether the trademark they have registered or not.

### **2.3.4 Utility**

Utilities are used as a basis for decision making to distinguish as clearly as possible between uncertainty and certainty or the risks [14]. The principle of first to file clearly provides legal protection, but only for first-time trademark registrants. If he is a trademark user for the first time, but does not register his trademark, then he will not get legal protection. So who wants to have legal protection for his trademark, he must register his trademark as soon as possible for the first time. Thus, the risk of proof of burden can be clearly carried out with the trademark registration certificate.

## **3. CONCLUSION**

Based on the discussion, the first to file principle that emphasizes the constitutive principle, namely the protection of the trademark given to the registrant of the first trademark will provide legal certainty, even though achieving registration require the cost, but because the registration is more efficient compared to proving the first trademark user that will be more difficult, so that the utility of the application of the principle of first to file in legal protection of the trademark is appropriate.

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