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## *Trademarks/Legislation*

# Indonesia's New Trademark Law – An Overview of the Changes



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The Indonesian Parliament approved amendments to the country's Trademark Law on October 27, updating the Trademark Law No. 15, which had been in force since 2001. The amended Trademark Law has now entered into force—it took effect on November 28, 2016—introducing a number of significant changes that refine current practices, add new features, and clarify certain provisions.

Some of the major changes include provisions designed to speed up the examination process. The new

law also increases criminal penalties and provides more clarity on preliminary injunctions, both of which may help lead to better enforcement.

Another change relating to the transfer of “associated marks” may be particularly important to international rights holders who need to transfer registrations to business partners.

### **Publication and Substantive Examination.**

Under the new Trademark Law, trademark publications must now take place before the examiner conducts the substantive examination stage, where the distinctiveness and similarity to prior-registered marks are evaluated.

The publication stage now lasts for two months, instead of three months. It is also the only opportunity for trademark owners to oppose third-party applications prior to registration.

All trademarks that pass an initial formality examination will proceed directly to publication. This will

lessen the burden on examiners, as it reduces the substantive examination process to a single step—if an opposition is filed, it will be considered at the same time as the examiner conducts the substantive examination stage.

### **Reducing Backlog.**

This has the potential to speed up the examination process and reduce the Directorate General of Intellectual Property's (DGIP) backlog of trademark applications. By publishing an application before it is substantively examined, additional time will not be expended to reexamine a mark if an opposition is filed, since in Indonesia, examiners who examine an application must also review any oppositions that are filed.

Additionally, the DGIP plans to reduce the substantive examination lead time from the current nine months to a maximum of 150 days. Although the effect of this remains to be seen in practice, the DGIP's plan to improve its administration through the Industrial Property Automation System, an automated trademark processing program developed by the World Intellectual Property Organization to enhance efficiency, may nonetheless reduce long delays in the examination process.

### **Maintaining Quality?**

While this push for greater efficiency is laudable, the outcomes of examinations still fall within the examiners' subjective discretion, meaning that it is difficult to predict such outcomes.

In addition, while examiners are still supposed to reject a bad faith or confusingly similar trademark application during the substantive examination stage on their own initiative, they may begin to rely more on oppositions by trademark owners and relax the stringency of their confusing similarity reviews. This could possibly lead to a slip in examination quality.

These changes in the law may indirectly lead to more applications being made in bad faith, if trademark squatters perceive a vulnerability in the process for reviewing confusing similarity. Trademark squatters are already endemic in Indonesia, making this an even more unwelcomed consequence.

This approach toward monitoring publications and managing oppositions is particularly important in Indonesia, because the process for cancelling registered trademarks is costly and complex. Once a mark has been successfully registered, invalidation proceedings need to be filed with the Court of Commerce, and court proceedings in Indonesia have a reputation for being notoriously difficult.

Trademark owners should therefore have in place an effective system of monitoring trademarks in local publications. Otherwise, bad-faith applications may escape through to registration.

### **Bad Faith Refusals.**

Unlike the previous law, the new Trademark Law explicitly stipulates that bad-faith applications will be rejected. While this is a welcomed change, as it provides greater clarity in dealing with bad-faith applications, examiners are generally hesitant to reject a mark based on this provision unless it is raised by a trademark owner.

Consequently, in order to use this provision and pursue the refusal of a trademark on the grounds of bad faith, trademark owners should raise an opposition and present evidence that proves an applicant's bad faith.

### **Refusal on Grounds of Misleading the Public.**

The new Trademark Law also introduces a prohibition on trademarks which contain elements that could mislead the public as to its origin, quality, type, size, and intended use of the goods or services.

This is a laudable change, as it is designed to protect consumers. Again, however, it remains to be seen how effective this will be in practice.

### **Criminal Penalties.**

The amendments also increase the criminal penalties for trademark infringement.

The term of imprisonment remains the same, a maximum of five years. But when the infringing goods threaten the health or safety of human lives or the environment, the maximum imprisonment term is doubled to 10 years.

Fines will be much higher in certain instances, such as trademark infringement involving the forgery of a mark in a manner identical in its entirety to a registered trademark. In this case, the maximum fine is 2 billion rupiah (\$150,000), up from 1 billion.

The fines for trademark infringement where the second mark is similar in its essential part to a registered trademark is capped at 2 billion rupiah, up from 800 million.

As long as trademark owners are astute in enforcing their rights, these tougher criminal sanctions should help deter infringement.

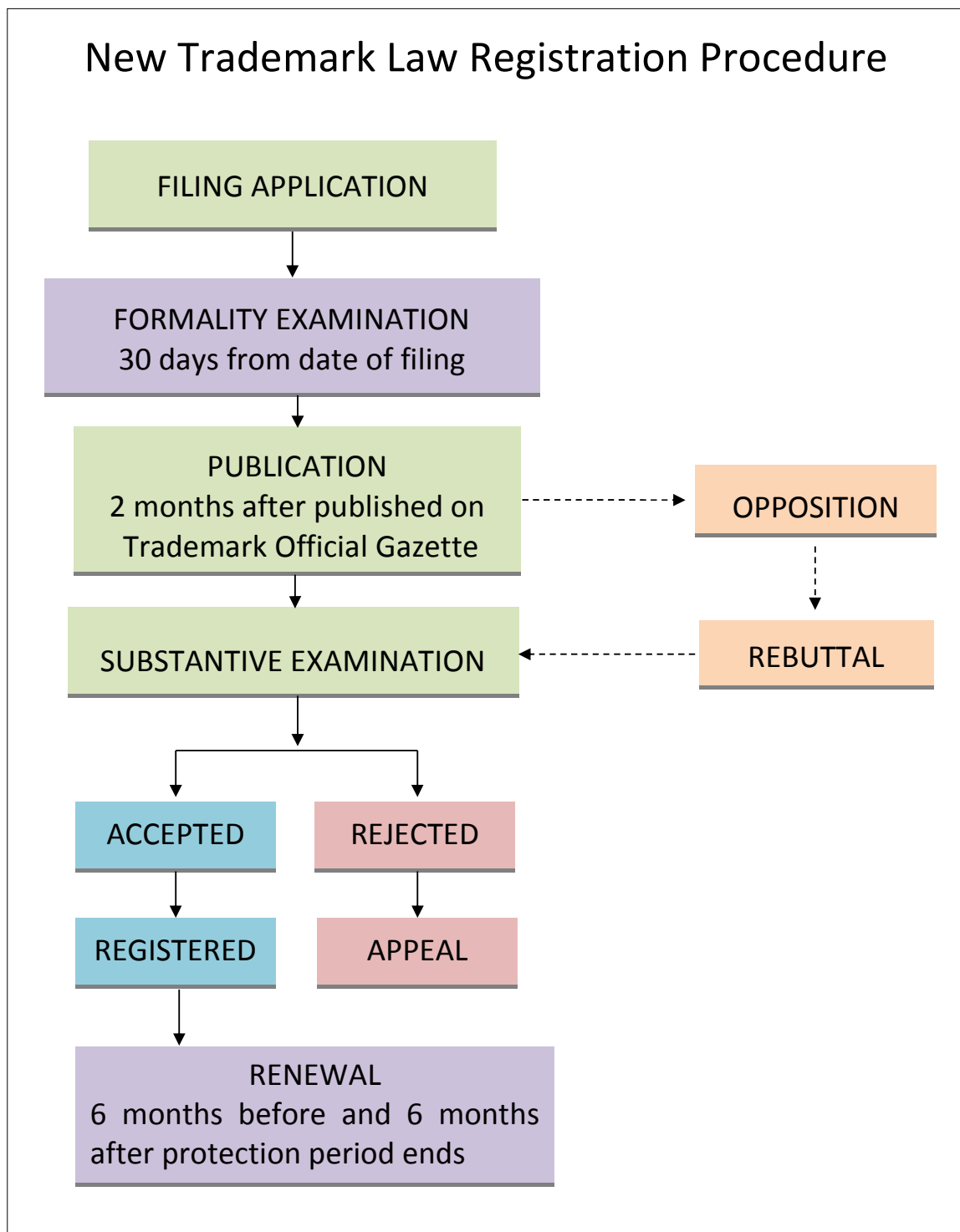
### **Grace Period for Renewal.**

The new law introduces a grace period for trademark renewals, within a period of six months prior to the date of expiration of the registration and up to six months after, subject to late fees. This is in lieu of the previous 12-month period for renewal prior to the expiry date.

This greater flexibility, allowing a trademark to be renewed six months after registration has expired, will be beneficial to trademark owners. This is also in line with the international approach to registration renewal.

### **Nontraditional Marks.**

The new law allows nontraditional marks, including three-dimensional, sound, and hologram marks, to be filed and registered.



Although this is a step in the right direction to modernize the law, issues may arise in the submission of sound and hologram specimens. Assessing the distinctiveness of nontraditional marks may also be challenging for examiners, as is the case in other countries.

Consequently, if an applicant has registered a nontraditional mark in another country, the applicant should file a nontraditional trademark application in Indonesia with a corresponding previously accepted registration obtained in other countries.

### Association of Marks.

The concept of “association of marks” has been introduced under the new law. Trademark owners are not required to register two or more of their marks in associa-

tion. However, the law states that, when assigning more than one registration under the same intellectual property owner, the registered marks that have similarities in their essential parts or in their entirety and have similar goods or services can only be assigned when all of the registered marks are transferred to the same party.

The benefit of this is that it reduces the likelihood of consumer confusion as to who is the owner of a registered trademark, as a similar mark for similar goods or services cannot be owned by two different entities. This should also help to ensure that consumers do not suffer from vastly different levels of product or service quality rendered by an identical or similar brand.

This provision, however, involves examiners subjectively considering the similarities of the registered marks to be

assigned. As a result, there may be complications in drafting an assignment agreements, as the assignor and assignee must ensure that the list of assigned marks is exhaustive to avoid a rejection of the assignment by the examiner.

Another complication may arise in mergers and acquisitions—this assignment change may result in limitations being placed on acquiring or selling parts of a company’s business or intellectual assets, as an assignment of registered trademarks must form part of the deal.

### **Preliminary Injunctions.**

The law also provides greater details on the steps and procedures to obtain preliminary injunctions from the court. This is a much-needed development, as the previous provisions on preliminary injunctions were so unclear that preliminary injunctions were essentially unenforceable.

### **Madrid Protocol.**

There is a section in the new Trademark Law that references applications to register international trademarks under the Madrid Protocol. The section outlines the eligibility of Indonesian individuals or business entities to file an international trademark, and it sets out the criteria that need to be met for a designation to be recognized in Indonesia for overseas trademark applicants. Other provisions on international trademark registration will be released in the future.

Indonesia’s new Trademark Law appears to be a promising step forward in developing clearer and more effective trademark protection and enforcement. It remains to be seen how certain provisions will play out in practice, but in any event, the government has demonstrated Indonesia’s commitment to improving its framework for the registration and protection of intellectual property.