

Designs In Indonesia— A New Law In Action

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In 2000, Indonesia enacted its first sui generis law relating to protection of industrial designs, in line with its obligations under the TRIPs Agreement. The Designs Law was a long time in coming and a positive addition to the intellectual property legislative framework. In this article, we will examine the background leading up to the issuance of the law and review four years of the law in action.

1. Background

Indonesia has been a member of the Hague Convention regarding the International Deposit of Industrial Designs since 1950. However, the Convention was never ratified and designs deposited nominating Indonesia were never recognised. Indonesia is currently considering withdrawing from the Convention.

There was a further provision available under article 17 of Law No. 5/1985 on Industry which stated “industrial design products will be protected based on Government Regulation.” Unfortunately, no implementing regulation was ever issued.

In view of this legislative environment, some rights holders registered their industrial designs as copyrights, consistent with article 2 (7) of the Berne Convention requiring countries to protect designs under copyright laws should separate design protection not be available. However, in practice, these copyrights were difficult to enforce.

2. Overview of Law No. 31/2000 on Industrial Designs

Law No. 31/2000 on Industrial Designs (“the Law”) was enacted on 20 December 2000 and took immediate effect.

The Law provides for protection of “creations of shape, configuration or compositions of lines or colours or a combination of both in three dimensional or two dimensional form that produces an aesthetic impression and that may be used for making a product, goods, industrial commodity or handicraft item.”

Registration is granted to designs that are novel (that is designs that have not been published or used anywhere before the priority date or date of application in Indonesia). Prohibited designs are those that are contrary to the prevailing laws and regulations, public order, religion or morality. However, there is no substantive examination of applications. Once formalities examination is complete, the application will be published for three months, during which time any interested third party may file an opposition.

The exclusive right to a design is the right to exercise the design and prohibit others who, without authority, make, use, sell, import, export or distribute goods using the design.

Design protection is given for a term of 10 years. No renewals are available.

There was a transitional provision that allowed designs disclosed in the six months prior to the implementation of the Law to be registered notwithstanding that such designs would not meet the novelty requirement for registration.

3. The Law in Action 2000-2004

On the whole, the Law and its administration by the Designs Office is working well. Take up by both foreign and local applicants has been high. However, the implementation of the Law has not been without problems.

3.1 No Substantive Examination

As there is no substantive examination, applications are processed very quickly and certificates issued in a timely manner—something which is critical for a legitimate rights holder who needs to rely upon a registered right against an infringer. Oppositions, where filed, are also dealt with in a timely manner—these usually take around six months to be disposed of—and decisions are accompanied by reasons and analysis of the evidence filed. This is positive compared to trademark oppositions where decisions are not given and the unsuccessful party is left to speculate as to why an opposition failed before next possible steps can be decided upon.

However, there are downsides to this approach for rights holders. A large number of non-novel designs are being approved for registration. This results in legitimate rights holders having to be vigilant in monitoring design gazettes and proactive in filing oppositions against applications and taking revocation proceedings against already registered designs.

3.2 The Emergence of the Design “Pirate”

Indonesia has a history of trademark piracy. Over the years, many internationally well-known trademarks have been registered (sometimes as copyrights) by registrants with no legitimate interest in the mark. The vast majority of all civil intellectual property litigation currently relates to cases for the cancellation or deletion of improperly registered trademarks.

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A similar situation is now emerging with designs. Some registrants are registering large numbers of clearly non-novel and everyday designs and thereby obtaining exclusive rights to these designs that can, technically, be enforced. Others appear to take whole catalogues of products and register each and every design depicted.

Whilst such designs may be technically invalid, these can be enforced until such time as the validity is challenged. With a criminal enforcement mechanism available, action can be taken swiftly and without warning with consequential losses to a business. A target of any such action would then be forced to file a case with a civil court for revocation of the design to counter the criminal complaint.

Further, in a civil infringement proceeding, a counter-action in defence for revocation of the design may not be filed. A separate revocation case needs to be filed and this will not necessarily be heard by the same panel of judges as hearing the infringement case nor in conjunction with the infringement case. If a stay of the infringement proceedings is not granted in such circumstances, the possibility arises that one panel

of judges may find infringement whilst another rules that the design is, in fact, invalid. This situation obviously increases uncertainty and costs for the alleged “infringer.”

3.3 Balance Required

Clearly a balance is required between providing quick registration and potential abuse of the system. Perhaps one solution could be that design registrants be required to submit their designs to the Designs Office for a prima facie ruling as to validity before any enforcement of such design right (whether civil or criminal action) can be taken. However, this would increase workload for the Designs Office, already operating under limited resources. It would also be difficult for the Designs Office to make an accurate assessment as to validity without access to overseas materials/resources.

There are likely to be other possible solutions to achieve the necessary balance.

3.4 Inclusion of Trademark Material in Design Representations

Another problem is the inclusion of trademark material in design representations. Such a design, once registered, may defeat the legitimate

trademark owner’s right to enforce its exclusive right to its trademark as well as lead to consumer confusion as to the origin of goods. Clearly, there may be times where trademark and trade dress rights and design rights may overlap, for example, with packaging designs. However, we do not believe that it could have been the intention of the drafters of the Law that any protection whatsoever should be given under a design right to a word trademark. Such marks should properly be, but are not always, disclaimed in the design description.

Conflict of rights is a difficult issue in Indonesia. Historically, the authorities tend to view registered rights as providing an absolute defence to an infringement claim. Accordingly, in the situation described above, a trademark owner trying to enforce its trademark registration may be defeated by the infringer producing a design certificate for packaging incorporating the identical trademark. This has happened in the past where trademarks were often registered by pirates as copyrights. To our knowledge, such a conflict between trademarks and designs has not yet come before the Courts. However, the question has been considered by the Designs Office during opposition proceedings as described in the case study below.

3.5 Status of the old Copyright Registrations

As mentioned above, before the Law was enacted, many rights owners registered designs as copyrights. Many of these copyrights are still valid and therefore, technically enforceable. However, with the advent of the Designs Law, it has become clear that such copyrights will no longer be considered enforceable as such designs should properly be registered under the Law. The rationale appears to be that to continue to recognise such copyright registrations would result in a period of protection considerably longer than that given to registered designs and thereby disadvantages legitimate users of the design registration system.

Whilst this argument is understandable, unfortunately, the tran-

Case Study 1.

In this case, A was the owner of an internationally well-known trademark. B had registered the trademark in Indonesia for various goods. A sought cancellation of B’s trademark registrations and after years of litigation, the Supreme Court ordered the cancellation of the trademark registrations, noting that A’s mark was well-known in Indonesia. The order of the Court was implemented by the Trademarks Office.

Subsequently, B applied to register a packaging design that incorporated the trademark. A filed opposition proceedings against B’s design application. Inter alia it was argued that to allow registration of the design incorporating A’s trademark would defeat the Supreme Court order recognising A’s trademark as well-known and ordering that B’s trademarks be cancelled and further, would limit A’s exclusive right to its trademark and may cause consumer confusion as to the origin of products and that this would not be in the public interest.

The Designs Office agreed that the design improperly incorporated trademark elements belonging to another party and that this was contrary to the prevailing laws and regulations. The applicant was requested to amend his design to remove all trademark elements—no response was received and accordingly, the Designs Office ultimately refused registration.

This was a clear cut case where a wrongful trademark registrant attempted to defeat an unfavourable Court decision by using the designs system instead. However, we do not believe that the case would have been so straightforward had A not already secured the Supreme Court decision in its favour in relation to B’s trademark registrations.

sitional provisions of the Designs Law did not allow for conversion of these copyright registrations to design registrations. The transitional provisions only allow for registration of designs that were disclosed in the six months prior to the implementation of the law. Many of the designs covered by copyright previously did not qualify under the transitional provisions and separately, did not meet the statutory novelty requirement for registration under the Law.

3.6 In the Courts

The Commercial Court has jurisdiction over most civil intellectual property litigation, including designs. To date several design cases have been brought before the Court; both revocation and infringement cases. On the whole, the Court has been meeting statutory deadlines of 90 days of disposing of first instance cases.

Cases should be brought in the Commercial Court of the defendant's domicile. Unlike the Trademarks Law, the Designs Law does not allow revocation cases to be filed in the Central Jakarta Commercial Court where a foreign plaintiff is involved. This has meant that the Commercial Courts across Indonesia have been hearing design related cases. The Commercial Courts outside Jakarta, however, generally have had less exposure to such cases and less training on intellectual property matters which makes these cases more difficult.

Design-related litigation is also a

new area meaning that there is not a significant body of jurisprudence built up yet. Over time, we expect general principles will emerge from these cases which will help define boundaries and enable such litigation to become less speculative than at the present time.

The main areas of difficulty that the Courts have had to date is in assessing similarity of designs and novelty. However, the following points can be taken from a review of cases to date:

- Evidence clearly dated prior to the date of application is critical for proving a lack of novelty. This would appear to be an obvious point but a number of cases have failed to date due to lack of dated evidence being submitted to the Court.

- In at least one case, the Court has held that Defendant's own promotion/marketing of its product in the days immediately prior to the date of application could not destroy novelty. The Court stated that this was necessary in preparation for the manufacture of the product and the filing of the design application itself. We would submit that the Court, in this instance, wrongly applied the law.

- Similarity tends to be assessed very narrowly at present. In several cases, the Court has been unwilling to go beyond assessing whether a design is exactly "identical" to an existing design in determining either novelty or infringement. This approach stems from the wording

of Article 2 of the Law which states that "a design shall be determined new if the particular industrial design is not the same as any previous disclosures."

The Designs Office needs to consider whether amendments to the Law are required to clarify the meaning of the word "same" in Article 2 of the Law. Should this be interpreted as meaning "identical" or more broadly to include designs that "do not significantly differ" per the wording of article 25 (1) of TRIPs?

4. The Future

As noted at the outset, the Designs Law is a useful and very welcome addition to the legislative environment. Good progress has been made in implementing the Law. The Courts are slowly building up experience in design-related matters and over time guiding principles will be established. Indonesia is, therefore, to be congratulated thus far.

However, without continued efforts there is a danger that the designs system will become subject to widespread abuse. A balance needs to be achieved. On one hand there are the interests of legitimate design owners who are well served by the speed of the system at present, particularly those industries where new designs are created and launched on a regular basis. It is critical to such industries that enforceable rights can be obtained in a reasonable time-frame. This needs to be balanced against the potential for rights to be wrongly granted and then enforced in an unjustified manner.

This is a shared responsibility—rights owners need to remain vigilant and challenge improper design applications wherever possible. The Designs Office needs to consider whether formal substantive examination of design application is desirable to weed out the obviously non-novel designs and whether this can be done without losing some of the benefits of speed that the system currently enjoys.

Case Study 2.

This case is an interesting example as it contains many of the issues discussed in this article.

In this case, A had manufactured and sold products bearing certain designs for a number of years. B secured design registrations for designs that were substantially similar/identical to A's designs. Subsequently, B then threatened A with infringement of its registered designs. A countered by filing for revocation of B's designs. The Court held that A's designs which were shown to have been in use for many years prior to the filing to B's design applications, were not identical to B's designs and accordingly, B's designs should be allowed to stand. This decision conversely allows A to defend any infringement proceedings now pursued by B.

Additionally, A has now filed its own design applications for its designs that it showed in the above case to have been in use for several years. Presumably A has undertaken this step to protect itself in the future from unjustified threats of infringement.