

## Factors causing the trademark passing off

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### Abstract

Many well-known trademarks registered by bad applicants (bad faith registrants) still qualify for registration at the Directorate General of IPR (Directorate General of Intellectual Property Rights). For example, the Hakubaku trademark from Japan is incomplete with the Hakubaku trademark from Indonesia. This study aims to determine the causes of trademark passing offs. The research method of this writing is normative law using a statutory approach and a conceptual approach. Based on this research, the results obtained in the form of factors that cause the occurrence of trademark Passing Off, namely because there are no registered Trademark Philosophy requirements, there are multiple interpretations of well-known trademark and similarities in essence or their entirety, there is still well-known trademark that is not registered with the Director-General of IPR in Indonesia so that they have the opportunity to be registered. by other persons/parties or legal entities with bad intentions, there is inaccuracy by the mark examining agency on a registered mark, and mark examiners who have multiple interpretations and are inconsistent in implementing Article 6 paragraph 1 letter a of Law Number 20 the Year 2016 on Trademark and Geographical Indications.

**Keywords:** causing factors, passing off, trademark

### Introduction

A mark is a sign to distinguish similar goods or services produced or traded by a person or group of people or legal entities from similar goods or services produced by other people, which have distinctive power or as a guarantee of their quality and are used in trading activities goods or services <sup>[1]</sup>. Trademarks have strategic value and are important to producers and consumers <sup>[2]</sup>. A trademark can be said to be very important in the business world because a trademark can show that a product has professional value, as a form of assurance of product quality, and gives the impression of being a collector of a product, so that it can attract more consumers <sup>[3]</sup>.

Products that have famous trademarks have a process that is not short. The trademark owner must be able to market and maintain the quality of the trademark so that the quality is maintained according to predetermined standards, expand the distribution network and be able to meet the needs of the market <sup>[4]</sup>. A trademark will only become a mark that is easy to imitate or be plagiarized when the mark is not registered at the Directorate General of Intellectual Property Rights. Mark owners who have registered their trademarks will receive legal protection.

Many well-known trademarks registered by bad applicants still qualify for registration with the Director-General of IPR. For example, the Hakubaku trademark from Japan was

paired with the Hakubaku trademark from Indonesia, the Monster trademark from the United States was paired with the Monster trademark from Indonesia, the Pierre Cardin trademark from France was paired with the Pierre Cardin trademark from Indonesia, the Lexus trademark from Japan was paired with the Prolexus trademark from Indonesia, the trademark KEEN from the United States is accompanied by the KEEN Indonesia trademark, the IKEA trademark from the Netherlands is equipped with the IKEA Indonesia trademark, the Neurobion trademark from Germany is accompanied by the Neurobion trademark from Indonesia, the i am Geprek trademark Benu Sedep Beneerr is equipped with the BENSU trademark both from Indonesia. Based on the description above, the act of counterfeiting against well-known trademarks is intentional and is carried out consciously to piggyback on the other party's trademark fame to obtain a dishonest profit. The consequence of this kind of piggybacking will cause harm to well-known trademark owners, not only material loss but also a moral loss because a trademark can become famous through a lot of effort and at great expense. Apart from that, piggybacking can also confuse and astray for the well-known trademark user community <sup>[5]</sup>.

Bad applicant, usually taking refuge behind the principle of first to file. This principle provides legal protection for the first registrant. Most bad applicants enroll in a class that is not an exception to the business where the trademark belongs. According to HKI specialist lawyer, Ali Imron, many Indonesians register trademarks even though they are not involved in the business world. What matters is the trademark first, the business can catch up. There are even people who have a profession as a trademark trader. Some

<sup>1</sup> O.K Saidin. 2004. *Aspek Hukum Hak Kekayaan Intelektual*. Jakarta: PT. Raja Grafindo Persada. Page 345.

<sup>2</sup> Rifky Ardian Nugroho, Budi Santoso, Siti Mahmudah. 2016. "Perlindungan Hukum Pemegang Hak Merek Dagang Terkenal Asing (Well Known Mark) dari Tindakan Passing Off (Studi Sengketa GS Atas Nama GS Yuasa Corporation)". *Diponegoro Law Journal*. Vol 5, No 3. Page 2.

<sup>3</sup> O.K Saidin. *Op.cit*. Page 359.

<sup>4</sup> Siti Marwiyah. 2010. "Perlindungan Hukum atas Merek Terkenal". *De Jure, Jurnal Syariah dan Hukum*. Vol 2, No 1. Page 40.

<sup>5</sup> Eddhie Praptono. 2009. "Penerapan Prinsip-Prinsip GATT Dalam Perlindungan Merek Terkenal Di Indonesia." *Jurnal UPS Tegal*. Page 2.

Bad applicants registered trademarks because they were inspired by foreign trademarks. From the search results, bad applicants know foreign trademarks. Then it is checked in Indonesia, if the mark has not been registered in Indonesia, then the foreign mark is registered under the bad applicant's name. If one day the owner of a foreign mark comes to Indonesia, he cannot use his trademark, the owner of the mark is forced to negotiate a price to buy the bad applicant's mark. There is a trademark that has been registered so that there is a transfer of rights to be registered. The purchase price for these trademarks is much higher than the registration fee. It even exceeds the court fee and lawyer fee.

Referring to Article 21 of Law Number 20 of 2016 concerning Marks and Geographical Indications (Trademark Law), the criteria for a rejected mark application, namely if the mark has similarities in essence or its entirety with:

1. A registered mark that belongs to another party or that which another party has previously requested for similar goods and/or services;
2. Well-known marks belonging to other parties for similar goods and/or services;
3. Well-known marks belonging to other parties for goods and/or services that are not the same type that fulfills certain requirements;
4. Geographical indication registered.

The application for a mark is rejected if the mark:

1. Resembles the name or abbreviation of the name of a famous person, photograph, or the name of a legal entity owned by another person, except with the written consent of the party entitled;
2. Is a copy or resembles the name or abbreviation of the name or abbreviation of the name, flag, symbol or symbol or emblem of a country, or a national or international institution, except with the written consent of the competent authority; or
3. Is an imitation or resembles an official sign or seal or stamp used by a state or government agency, except with written approval from the competent authority;
4. An application is rejected if it is submitted by a Petitioner with bad faith<sup>[6]</sup>.

The benchmarks for the application for a mark should become a reference and be strictly applied by the parties concerned with the registration of the mark.

Based on the description of the background, the authors are interested in researching and examining more deeply and pouring it into a journal writing with the title "Factors Causing the Execution of Trademark Passing Off".

### Research Methods

The type of research used in writing this law is normative legal research or can be called doctrinal legal research, which is research that is compiled by referring to library materials or secondary materials consisting of primary legal materials and secondary legal materials<sup>[7]</sup>. The nature of the research used in this legal research is prescriptive and applied. As it has been understood that legal science is prescriptive and applied, which examines the harmony

between legal norms and legal principles, between law and legal norms, and the harmony between individual behavior and legal norms<sup>[8]</sup>.

The approach used by the author is a statutory approach (statute approach) used in overcoming legal problems that arise and subsequently using relevant statutory regulations. The laws and regulations used in this approach are as follows: Paris Convention;<sup>[9]</sup> Law Number 20 of 2016 concerning Marks and Geographical Indications;<sup>[10]</sup> Regulation of the Minister of Law and Human Rights Number 67 of 2016 concerning Mark Registration;<sup>[11]</sup> Government Regulation Number 23 of 1993 concerning Procedures for Requesting Registration of Marks;<sup>[12]</sup> and Government Regulation Number 24 of 1993 concerning Class of Goods or Services for Mark Registration<sup>[13]</sup>. The second approach used by the author in the preparation of this legal research is a conceptual approach that uses the views, doctrines that develop in legal science.

The technique of collecting legal materials in legal research is carried out using a literature study. Legal material analysis techniques are the most important stage in a study. Because in this study the data obtained will be processed and utilized in such a way as to arrive at a conclusion which will become the final result of the research. The legal material analysis technique used in writing this law is syllogistic deduction, which is a technique for processing legal materials by explaining something starting from the general and then drawing more specific conclusions.

### Discussion

In the era of free trade, trademark rights are an important factor in creating a fair trade system. In trading life, there are always actions that try to gain profit through shortcuts by doing everything they can, these actions violate business ethics, moral norms, and even violate the law<sup>[14]</sup>.

The definition of passing off according to Black's Law Dictionary is: "The act or an instance of falsely representing one's product as that of another in an attempt to deceive potential buyers. Passing off is actionable in tort under the law of unfair competition. It may also be actionable as a trademark infringement"<sup>[15]</sup>.

Passing off is an effort or action or action taken by a person or several people which leads to unfair competition or a violation in the field of intellectual property rights<sup>[16]</sup>. In this case, the authors focus on what factors cause the passing of a trademark.

In principle, an action can be categorized as passing off, if it fulfills three elements. The first element of reputation is found in a business actor, namely if a business actor has a good business reputation in the eyes of the public and his

<sup>8</sup> *Ibid.* Page 41-42

<sup>9</sup> Paris Convention.

<sup>10</sup> Law Number 20 of 2016 concerning Marks and Geographical Indications.

<sup>11</sup> Regulation of the Minister of Law and Human Rights Number 67 of 2016 concerning Mark Registration.

<sup>12</sup> Government Regulation Number 23 of 1993 concerning Procedures for Requesting Registration of Marks.

<sup>13</sup> Government Regulation Number 24 of 1993 concerning Class of Goods or Services for Mark Registration.

<sup>14</sup> Sonny Keraf. 1998. *Etika Bisnis – Membangun Citra Bisnis Sebagai Profesi Luhur*. Cetakan ke-9. Yogyakarta: Kanisius. Page 69.

<sup>15</sup> Bryan A. Garner. 2004. *Black's Law Dictionary, Eighth Edition*. (St. Paul, Minn: West Publishing Co). Page 1115.

<sup>16</sup> Si Prokol, "Passing Off", accessed from <https://www.hukumonline.com/klinik/detail/ulasan/ci273/passing-off/> on 10 November 2020 at 19.21 WIB.

<sup>6</sup> Article 21 Trademark Laws

<sup>7</sup> Peter Mahmud Marzuki. 2014. *Penelitian Hukum*. Jakarta: Prenada Media Grup. Page 55-56.

business is well known by the public. This situation is exploited by competitors of business actors. The second element, there is a misrepresentation, in this case, the famous trademark owned by the business actor, if other business actors are joining the same trademark, then the public is easy to be fooled (misleading) or confusion occurs in choosing the desired product. The third element, some losses arise as a result of hitchhiking or hitchhiking by entrepreneurs in bad faith to use trademarks that are similar to or similar to well-known trademarks, resulting in the public misleading of products (public misleading)<sup>[17]</sup>.

There are several elements in the occurrence of Passing Off, namely: it is carried out by producers or traders as part of a trade; conducted on goods or businesses that have a good reputation; there is an element of fraud with his goods and/or business so that the general public is mistaken for it, and result in losses to other parties<sup>[18]</sup>.

There are two kinds of trademark infringement, namely having similarities in essence to a registered trademark owned by another person and having overall similarity with a registered trademark owned by someone else. In addition to the 2 (two) types of trademark violations, there are also 3 (three) forms of trademark violations, namely: Trademark piracy, Counterfeiting, and Imitations of labels and packaging. The three forms of trademark infringement usually occur in well-known trademarks. Trademark piracy usually occurs in well-known foreign marks, which have not been registered and then registered by unauthorized parties<sup>[19]</sup>. As a result, the application for registration of the original trademark owner was rejected by the local trademark office because it was considered similar to a previously registered mark.

The next trademark violation is a trademark forgery. Counterfeiting can occur when a counterfeit or lower quality product is affixed with a well-known trademark. The trademark infringement that is similar to trademark counterfeiting is an impersonation of product labels and packaging. The difference is, in counterfeiting the label trademark or product packaging used is an imitation of the original, whereas, in imitation, the label used it is own by using its name. Imposters try to take advantage of similar products to competitors or use trademarks that are so similar that they can confuse the community. This also violates consumer rights in consumer protection law, namely the right to choose and get quality goods following the goods for the services they choose<sup>[20]</sup>.

The factor that causes the occurrence of trademark Passing Off is the weakness in trademark registration. Trademark registration is considered to be a mere formality because there are legal loopholes in the trademark registration process, including:

a. There are no registered Mark Philosophy requirements

<sup>17</sup> Mieke Yustia Ayu Ratna Sari. 2014. "Passing Off Dalam Pendaftaran Merek, Kajian Putusan Mahkamah Agung Nomor 224 K/Pdt.Sus-HKI/2014". *Jurnal Yudisial*. Vol. 7 No. 3 Desember 2014. Page 263.

<sup>18</sup> W.R. Cornish. 1999. *Intellectual Property Patents, Copyright, Trade Marks, and Allied Rights*. Sweet & Maxwell London. Page 43.

<sup>19</sup> Article 6 bis The Paris Convention states that "a well-known trademark must be protected even if it is not registered in the country" as quoted by Dwi Agustine Kurniasih in Legal Protection of Registered Mark Owners from Passing Off Acts. HKI Media Vol. 5. / No. 6 Desember 2008.

<sup>20</sup> D. Shahreiza. 2011. "Sikap Pengadilan Terhadap Penyelesaian Sengketa Atas Merek Dagang Terkenal (Studi Pada Putusan Pengadilan Niaga Medan)". *Tesis Magister Ilmu Hukum*. Universitas Sumatera Utara. Medan. Page 16.

Giving a name or trademark idea for a product is not easy. Especially if you provide a trademark name idea for your creations or works that are made with a lot of energy, time, thought, and capital. The trademark will bring pride and satisfaction to a product that has been painstakingly created. Because the philosophy of trademark registration is against bad faith<sup>[21]</sup>. One of the judges' opinions in the Pierre Cardin Dispute Decision Number 557K / Pdt.Sus-HKI / 2015 stated that the trademark of a product does not only mean a name or writing but implies that it can be directly related to the product concerned, besides the trademark or name that is written on a product can also be a feature or differentiator from which region or from which country the product originates. So it is necessary to include new requirements in the form of trademark philosophy so that trademark disputes do not arise due to the similarity of trademarks between Indonesian trademarks and well-known trademarks abroad.

Article 4 paragraph (4) of the Trademark Law states that a trademark application must attach a trademark label. The trademark label is an example of a mark or label attached to the application for registration of a mark. Only attaching an example of a mark or label does not meet the clarity of the identity of the mark to be registered. The trademark label attached should meet the elements such as the long name of the trademark and abbreviations. Is it only the long name of the trademark that will be registered or with the Abbreviation. If only the long name of the mark is registered, then there is a possibility that other parties will be allowed to register the trademark with the abbreviated name. Include an image of the trademark logo to be registered and describe the meaning of the logo. The logo should match the trademark name. So it can be concluded that the trademark philosophy and trademark logo tell about the origin of the trademark name that will be registered. Including the meaning of the trademark name, a brief history of the trademark name, other descriptions that support the authenticity of the trademark to be registered, and explain how the mark differs from other trademarks.

b. There are multiple interpretations of well-known trademarks and similarities in essence or the whole

An application must be rejected by the Director-General of Intellectual Property Rights if the Mark has the same or in its entirety with a well-known mark belonging to another party for goods and/or the like. The statement raises the question of what qualifications or in other words, what final benchmarks are established by law to finally determine a mark as a well-known mark and a trademark proven to piggyback on the fame of another trademark because of the similarity in essence or its entirety. When interpreted, the Trademark Law itself has different understandings.

1. Famous Trademark

Famous marks are regulated in Article 21 paragraph 1 letter b of the Mark Law and the criteria for famous marks are explained in the Elucidation of Article 21 paragraph (1) letter b as follows:

Rejection of an application that is substantially or completely similar to a well-known mark belonging to another party for similar goods and/or services shall be carried out by taking into account the general knowledge of

<sup>21</sup> Agus Mardianto. 2010. "Penghapusan Pendaftaran Merek Berdasarkan Gugatan Pihak Ketiga". *Jurnal Dinamika Hukum*. Vol 10, No 1. Purwokerto. Universitas Jenderal Soedirman. Page 45.

the public regarding the mark in the relevant business field. Apart from that, the owner must also pay attention to the reputation of the mark, which has been obtained due to intense and large-scale promotions, investment in several countries in the world by the owner, and evidence of registration of the said mark in several countries. If this is not considered sufficient, the Commercial Court may order an independent institution to survey to obtain conclusions about whether or not the mark is the basis for the rejection. Judging from the explanation above, the law does not provide a definite measure for the Judge to determine the extent to which a person must provide evidence regarding public knowledge, promotion of a mark, proven by anything and does not provide a period or limit of proof of trademark registration, whether it is necessary or not.

This is because it is evident from the many disputes in the Court that have ended up winning counterfeit marks that have been registered. After all, the proof from the well-known trademark owner has met the requirements as required above but is still considered insufficient to prove that the mark is a well-known mark. Then there are no criteria for independent institutions that conduct surveys to obtain conclusions about well-known trademarks, whether the survey institution is a political, commercial, non-commercial survey institution, and how are the payment arrangements for the survey institution because of course, it uses the services of a survey institution. Not at a small cost [22].

## 2. Equation in Principle or Whole

The Trademark Law only explains the meaning of equality in essence. It is not explained whether the equation in essence is a unity with the overall equation or not. From several sources that the author gets from books, journals, and jurisprudence, it does not lead to a definite conclusion that can be used as a measure. However, from several legal sources, the authors agree that the equations are substantially different from the overall equation. This is important because the similarity in essence or its entirety is a condition for stating whether a trademark is similar to another trademark, in other words as a comparison between two trademarks. Similar to Ahmadi Miru's opinion, a mark which has the same or in its entirety with a well-known mark belonging to another party for similar goods and/or services does not stipulate a requirement that the famous mark has been registered (in Indonesia). This means that even though the famous mark is not registered in Indonesia, it is still protected under the Trademark Law [23].

- c. There is a well-known trademark that is not registered at the Office of the Director-General of IPR in Indonesia so that it has the opportunity to be registered by other people/parties or other legal entities based on bad faith;
- d. There have been inaccuracy from the mark examining agency, in this case, the Director-General of IPR on a registered mark so that applications for registration of a famous mark made by another person/party or other legal entity based on bad faith are granted [24].

- e. The functional mark examiners have multiple interpretations and are inconsistent in implementing Article 6 paragraph 1 letter a of the Trademark Law. In certain cases, an examiner may reject applications for marks that are different from one another but stated to be similar. On the other hand, the mark examiner stated differently even though the proposed mark shows the same, even the same overall for similar goods or services. This situation can lead to the prejudice that unprofessional trademark examiners are not careful or receive compensation from certain parties. Even though it seems that the provisions of Article 6 paragraph 1 letter a of the Trademark Law are simple and clear, they have tremendous legal implications in its implementation. This article has created a long and endless debate not only among mark examiners but also between mark examiners and trademark applicants, and IPR advocates [25].

## Conclusion

The factors causing the Passing Off of a trademark are because there is no requirement for a registered trademark philosophy, there are multiple interpretations of a well-known trademark and similarities in essence or its entirety, there are still well-known trademarks that are not registered at the Office of the Director-General of IPR in Indonesia so that they have the opportunity to be registered by other people/parties. or other legal entity based on bad faith, the inaccuracy of the mark examining agency, in this case, the Director-General of IPR on a registered mark, so that the application for registration of a famous mark is made by another person/party or other legal entity based on bad faith. becomes granted, and functional mark examiners have multiple interpretations and are inconsistent in implementing Article 6 paragraph 1 letter a of the Trademark Law.

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<sup>22</sup> Karlina Perdana. 2017. "Kelemahan Undang-Undang Merek Dalam Hal Pendaftaran Merek (Studi Atas Putusan Sengketa Merek Pierre Cardin)". *Privat Law*. Vol V No 2 Juli-Desember. Page 90-91.

<sup>23</sup> Ahmadi Miru. 2005. *Hukum Merek Cara Mudah Mempelajari Undang-Undang Merek*. Jakarta: PT. Raja Grafindo Persada. Page 17.

<sup>24</sup> Insan Budi Maulana. 2009. *Politik dan Manajemen Hak Kekayaan Intelektual*. (Bandung: PT. Alumni). Page 118.

<sup>25</sup> *Ibid*.

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