



Intellectual Property Enforcement Guide: Indonesia



The Indonesian legal system does make protecting intellectual property ('IP') rights challenging. The presence of TRIPS-compliant IP laws is not matched by efficient criminal enforcement or customs border protection system in practice.

There have, however, been significant improvements in the civil court system for IP cases over the last decade in the country. Economic growth is now creating a greater pressure on the government to take further steps to reform the enforcement environment.

Criminal Enforcement

Investigation

Most consumer goods in Indonesia are imported from China, especially since the 2010 China – ASEAN free trade agreement came into effect. Investigations are critical to achieving an assessment of which retailer, distributor, importer or factory to target concerning relevant information and evidence of an infringement. Complexities include Indonesia's huge geographic size and the paucity of public records. Investigation and evidence-gathering team at Rouse specialises in IP inquiries and market surveys and has a strong track record at uncovering infringement evidence in Indonesia. Online surveys are also critical as the country has a plethora of local e-commerce platforms.

Enforcement Bodies

Infringements concerning trademark, copyright, patent and design are 'complaint-based' offences. The implication is that the IP owner must file a formal complaint with the authorities before any action can commence. The police do sometimes uncover IP crimes and report to IP holders; the most common examples are goods which also breach the Consumer Protection Law.

The criminal enforcement system does work on occasions when the police have conducted successful raid actions. However, practical challenges include a lack of police resources, a limited focus on IP protection, a lack of IP expertise, low transparency and a weak bureaucracy. In general, police raids are only viable in a narrow set of circumstances, and rarely will there be sufficient total control over the outcome.

Back in 2011, the Directorate of Investigation ('PPNS') of the Directorate General of Intellectual Property Rights ('DGIPR') was given increased human and financial resources to undertake enforcement. The PPNS team undertakes a few dozen cases a year. They do have pre-existing expertise in IP laws; however, the team recognised as being small, largely limited to Jakarta, and they still rely on the use of police.



Raid Requirements

The checklist of raid requirements includes:

- Enforcement Power of Attorney (notarised and legalised)
- Copy of registration Certificates
- Letter of Complaint
- Evidence of counterfeiting (from investigations)
- Sales receipt for the counterfeit evidence
- Genuine sample of the product counterfeited
- Counterfeit identification guideline (preferable)

Settlements

After a raid, IP holders have on occasions been able to reach settlements which have included some of the following:

- destruction of the infringing goods;
- signed undertakings from the infringer;
- a public apology by the infringer;
- damages; and
- withdrawal of the complaint and release of the infringer

Usually, some feature of the charges will be compromised to ensure a deal is reached. The advantage of settling is that the desired outcomes may not be available otherwise. In many cases, success is merely the confiscation of the infringing goods from the defendant with no further action. Arrangements for destruction can then be made. However, settlements are often a cover for illegal payments, and great care must be taken to avoid being involved with such arrangements.

Criminal Prosecution

If the IP holder pursues his or her complaint after a raid, the police will conduct investigations to prepare the case file for transfer to the Public Prosecutor. If the Public Prosecutor finds that the evidence is sufficient, a criminal prosecution will be filed at the District Court.

In practice, only a few cases ever reach a full prosecution. It is rare for an IP holder to be able to insist on one. Even if the police do prepare and send a full case file to the prosecutor, the prosecutors themselves rarely have any incentive to pursue cases. If there is a conviction, due to lack of sentencing guidelines, the punishment can be anywhere from a nominal fine with probation to maximum statutory imprisonment term – depending on the provisions cited for indictment.

Where an IP holder insists on prosecuting, we will need to actively manage the prosecutor and often need to engage in lobbying and PR activities to ensure the court does an appropriate job. Lobbying for criminal court system improvements is an ongoing imperative.

On a general note, corruption is endemic across Indonesia's public services. Public officers may ask for financial support that could either be for a genuine purpose of the case or to benefit themselves personally. IP holders should take steps to ensure their raids are free of abuse by officials. There are no official published statistics, although the ASEAN Secretariat proposes to start collecting them across the region for publication in coming years. The police recently disclosed a decline in raids over the last 5 years to a few dozen cases per year. The PPNS periodically disclose cases, and those numbers are typically several dozen per annum.

Administrative Enforcement

Various government departments, including the Ministry of Trade and the National Agency for Food and Drug Control ('BPOM') have investigation officers (or the PPNS) who are authorised to investigate illegal goods. These officers have various powers under the domestic own law, but can help with IP infringements where another law is broken at the same time. They may not arrest or detain suspects and must report their investigation findings to the police.

Warning Letter Programs

We usually recommend warning letter programs for retail-level targets where infringement quantities are low. These programs can be set up quickly, are more cost-effective and allow a higher degree of control and transparency compared to criminal or civil routes. The program initiates with warning letters sent to infringers requiring their written acknowledgement which also serves as an undertaking to cease future sales. We then follow up the letters with weekly chaser calls to push for compliance.

Not all the infringers will sign the letters; some resist, but the word would have effectively spread that the brand owner is monitoring the market. And the repeated chaser calls ensure the deterrent message is a lingering one. While it may not always have as loud a bang as a raid, warning letter programs can resonate well.

Our team is highly experienced in handling such programs for many of our clients and have previously coordinated mass-target programs which led to market-wide reduction in the frontline, retail availability of counterfeits.

Online Enforcement

Our team runs a diverse set of online monitoring and takedown programs. We conduct surveys, with several levels of activity from basic monitoring to trap purchases, and online to offline investigations. Takedown programs can be bespoke for serious cases, and automated for mass takedowns.



Border Protection

Article 62 of the Customs Law provides for ex officio power to Custom officials to suspend a consignment if they have reason to believe that it contains counterfeit goods.

Customs Recordal

An application for Customs recordal can be made for trademarks or copyright. The application process contains a number of requirements. A Customs recordal will last for 1 year (from the approval date), with an option to renew for another year. Customs cancels recordals if the IPR holder (Applicant on file) fails to respond to Customs' notifications for 3 separate seizures in a year. Customs will not detain goods brought by passengers, border crossers, or consignment sent by postal or courier services. For IPR infringing transhipped goods or goods in transit, Customs will write to the Customs of the destination country to inform them of the pending arrival of infringing goods (perhaps the most important transshipment port is Batam just south of Singapore).

Article 5(3) of Government Regulation No. 20 of 2017 provides that an Applicant must be a 'business entity domiciled in Indonesia'. For foreign IPR owners, Customs advises that an application to record a trademark or copyright can only be made by the local subsidiary of the foreign IPR owner.

There are various types of legal entity in Indonesia; if your local entity is anything other than wholly owned fully licensed PMA (foreign investment) company, we will need to verify the correct procedures with Customs since they have not fully contemplated yet all the different types of business structures that can exist. Distributors are not accepted.

Although few foreign companies have been able to apply, the first seizures have occurred on behalf of Indonesian IP owners. A couple of challenges that are yet to be clarified are the bond requirements and the apparent mandatory filing of a legal case afterwards and what that filing specifically encompasses.

Judicial System

Separately, there is a Supreme Court regulation on Border Measures. The regulation allows IP owners who have information on infringements to file for an injunction to stop imports of infringing goods (Trade Mark and Copyright). It has never been used as IP owners do not have this kind of shipment and import information.



Civil Enforcement

Commercial Court

The establishment of the Commercial Court in 2002 brought in significant improvement for IP civil litigation, including the increase of quality and speed of decisions. There are 50-100 cases a year in the civil IP courts. Trade mark cases still make up the largest part of the Jakarta docket, with most cases being trade mark cancellation or non-use deletion cases.

For a civil case, the lawsuit should be filed at the Commercial Court in the jurisdiction covering the IP infringer's domicile. Appeals are filed at the Supreme Court. However, the civil route is not always the best medium for anti-counterfeiting action as most scales of infringement fall short of warranting going to court. Similarly counterfeiters do disappear, and damages levels are typically low and costs not recoverable. The best use of civil courts in major infringement cases has been to establish a principle, such as enforcing a difficult or complex mark.

In a civil jurisdiction like Indonesia, there is no default judgement system, so full trials are needed.

Evidence

The IP owner's burden of proving infringement is onerous. As it stands, the Indonesian civil system does not provide for interrogatories or discovery. Good evidence preparation is essential –this can involve surveys, investigator reports, and testimony, video or recordings and sworn affidavits (e.g. for overseas witnesses). Any evidence from overseas will need to be legalised.

Interim Orders, Timescales and Evidence

Although interim relief is theoretically available only one case has been granted such, and it was overturned on appeal. The good news, however, is that the absence of interim relief is not insurmountable as cases are generally heard and decisions issued within the statutorily prescribed periods: six months for patent cases and three months for all other IP matters. In practice, preparation adds a couple of months, but general speaking civil IP cases are fast.

Relief Available

All the IP laws provide for final relief in the form of damages and a permanent injunction against further infringement. It is a general principle of Indonesian law that each party should bear its own legal costs. Principles for calculating damages or an account of profits are not prescribed by law.

Accordingly, damages awards vary greatly. In a few cases, large damages awards have been made where a proper assessment with evidence of the defendant's profits was made.

Asset freezing orders are available under Indonesia's Civil Procedure Law, but they require a separate application to the District Court.

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