

NEW ISSUES IN INTELLECTUAL PROPERTY LAW IN INDONESIA*

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Abstract

This article compares the provisions on moral rights in Indonesian Copyright Act, Copyright Bill, and The Berne Convention. The legality of parallel importation and the sui generis protection of traditional knowledge are also observed by referring to the Copyright Bill and Traditional Knowledge Bill.

Abstrak

Tulisan ini membandingkan pengaturan mengenai hak moral menurut Undang-undang Hak Cipta, RUU Hak Cipta dan Konvensi Berne. Selain itu, tulisan ini juga mengkaji legalitas impor paralel dan perlindungan sui generis terhadap pengetahuan tradisional dengan merujuk kepada RUU Hak Cipta dan RUU Pengetahuan Tradisional.

Keywords: *moral rights, parallel importation, sui generis, traditional knowledge.*

A. Introduction

Reformation of intellectual property laws has taken place several times in Indonesia since the country's first Trade Marks Act promulgated in 1961.¹ The second trade mark act was issued in 1992² and amended in 1997.³ Finally, in order to comply with the country's obligation under the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS

Agreement), the country promulgated the new Trade Marks Act in 2001.⁴ The new trademarks law includes provisions on Geographical Indications and Source of Origin. In the area of patents, Indonesia had its first Patents Act 1989,⁵ revised in 1997,⁶ and, finally, complying with the TRIPS Agreement, issued the Patents Act 2001.⁷ The country's first Copyright Act was issued in 1982,⁸ amended twice, in 1987⁹

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¹ Act Number 21 of 1961.

² Act Number 19 of 1992.

³ Act Number 14 of 1997.

⁴ Act Number 15 of 2001.

⁵ Act Number 6 of 1989.

⁶ Act Number 13 of 1997.

⁷ Act Number 14 of 2001.

⁸ Act Number 6 of 1982.

⁹ Act Number 7 of 1987.

and in 1997.¹⁰ The last Copyright Act was issued in 2002.¹¹ Three laws on other areas of intellectual property rights have also been published in Indonesia, which are the Trade Secret Act 2000,¹² the Industrial Designs Act 2000,¹³ and the Layout Design of Integrated Circuit Act 2000.¹⁴

Some articles in those above-mentioned acts need further clarification normally in the form of government regulations. Article 56 of the Trade Marks 2001, for example, which governs Geographical Indications, does not provide the procedure of registration of Geographical Indications. Therefore, in 2007, Government Regulation Number 15 on Geographical Indications was issued to explain the procedure of registration. Articles 99-102 of the Patents Act 2001, which governs the use of patent by the government, does not mention the procedure of the government use of patent. In order to explain the procedure, Government Regulation Number 27 of 2004 on Government Use of Patents was then issued. In 2005, Government Regulation Number 1 of 2005 was issued so as to explain the procedure of application of industrial design right, which is not governed by the Industrial Designs Act 2000.

Some provisions of the country's current Trade Marks Act 2001, Patents Act 2001 and Copyright Act 2002 have been considered as being outdated and need to be amended. Therefore, the Trade Marks Bill, Patents Bill and Copyright Bill¹⁵ have been drafted. In the area of copyright, for example, the provisions of the current copyright law on moral right have been said as being outdated. The Copyright Act 2002 has been said as giving more protection to the economic rights of authors and is inadequate in protecting their moral rights.¹⁶ The Copyright Bill will therefore amend the Copyright Act by "equalizing" the protection of moral rights to that of the economic rights of authors. This position will be supported, since some scholars have stated that authors of any works should have their moral rights equal to their economic rights and that their moral rights should even be protected longer than their economic rights.¹⁷ In the writer's view, this issue is very important to examine.

Another example is that the provision of the current Copyright Act 2002 which gives the copyright holder the right to prevent parallel importation has been considered as being incorrect. This is

¹⁰ Act Number 12 of 1997.

¹¹ Act Number 19 of 2002.

¹² Act Number 30 of 2000.

¹³ Act Number 31 of 2000.

¹⁴ Act Number 32 of 2000.

¹⁵ The Bills are available for download at the official website of the Directorate General of Intellectual Property of Indonesia: www.dgip.go.id.

¹⁶ One of the scholars that is concerned with this issue is V. Henry Soelistyo B. Read: V. Henry Soelistyo B., 2010, *Perlindungan Hak Moral Menurut Hukum Hak Cipta di Indonesia: (Kajian Mengenai Konsepsi Perlindungan, Pengaturan dan Pengelolaan Hak Cipta)*, Dissertation, Doctoral Program, Faculty of Law Universitas Gadjah Mada.

¹⁷ See, e.g., *Ibid.*, p. 521. and Miranda Risang Ayu, 2010, "Hak Moral, Indikasi Asal, dan Hak Kebudayaan", <http://klipingclipping.wordpress.com/2010/06/06/hak-moral-indikasi-asal-dan-hak-kebudayaan>, retrieved on 30 September 2010.

demonstrated by a provision in the Copyright Bill stating that the copyright holder loses his/her right of distribution after his/her original works or copies of works have been sold or their title has been transferred to others anywhere in the world. This means that the Copyright Bill adopts the first sale doctrine or the international exhaustion principle. Interestingly, the current position of Indonesia's Trade Marks Act and Patents Act on parallel importation will likely be maintained. The Trade Marks Bill and the Patents Bill do not contain any relevant provision which will change the position of these two acts on parallel importation. The legality of parallel importation is therefore another important issue to examine in this article.

Apart from Indonesia's plan to amend certain provisions in its intellectual property laws, the country has another important matter to deal with, which is how it should protect traditional knowledge. Currently, it is difficult to protect traditional knowledge using the current Patents Act 2001. Unfortunately, the Patents Bill does not contain any provision which will amend the Patents Act so as to protect traditional knowledge. Interestingly, Indonesia has drafted a *sui generis* law on the protection of traditional knowledge. This issue is also important to examine.

This article will analyze whether or not the current provisions of moral rights in

Indonesia's Copyright Act 2002 are adequate and then compare them with the Copyright Bill. For this purpose, the writer will also compare these provisions with Article 6^{bis} of the Berne Convention which governs moral rights. This article will also examine the legality of parallel importation under the country's trade mark law, patent law, and copyright law, and, then, examine the first sale doctrine or the international exhaustion principle mentioned in the Copyright Bill. Finally, the writer will argue the difficulty of using Indonesia's Patents Act to protect traditional knowledge and then examine the provisions of the country's Traditional Knowledge Bill.

B. Statutory Protection of Moral Rights in Indonesia and a Plan to Reform It

Indonesian Copyright Act 2002 protects moral rights of authors. They include the right of attribution, or the right of paternity, which is the right of the author to have his/her name put or mentioned on his/her work,¹⁸ and the right of integrity, which is the right to have his/her integrity maintained.¹⁹ This indicates that the country follows the trend in other civil law countries which have the tradition of protecting moral rights of authors. The current copyright laws in European civil law countries like Germany, France and Italy contain provisions protecting these moral rights.²⁰

¹⁸ For further discussion of the meaning of the right of attribution, see Cyrill P. Rigamonti, "Deconstructing Moral Rights", *Harvard International Law Journal*, Vol. 47, No. 2, 2006, pp. 363-364.

¹⁹ For further discussion of the meaning of the right of integrity, see *Ibid.*, pp. 364-367.

²⁰ However, the recognition of moral rights has also been made by certain common law countries. United States Visual Artists Rights Act of 1990 (17 U.S.C. § 106 A), for example, protects the right of attribution and the right of integrity, and Australian Copyright Act 1968 (amended in June 2010 by Act No. 94 of 2010) also provides these two kinds of moral rights.

Moral rights of authors are protected by Articles 24 and 55 of Indonesia's Copyright Act 2002.²¹ Article 24 (1) of the Copyright Act provides: "an author or his heirs shall be entitled to require the Copyright Holder to attach the name of the author on his work."²² Based on this provision, if an author transfers his/her copyright to any other person, the author can require the latter to attach the author's name to the author's work. Probably, it can be said that the provision is not strong since it does not explicitly require the copyright holder to mention the name of the author if the latter does not need. If a television or radio station, for example, broadcasts a song only showing its title and its singer without the author, as long as the author does not complain, there will be no problem. Another article relevant with Article 24(1) is Article 55(a) of the Act, which states that the submission of copyright to any other party shall not abridge the right of the Author or his/her heirs to take legal action against those who delete the name of the author in its work without the author's consent. As Article 24(1), Article 55(a) does not explicitly require any person using a work to mention the name of the author. However, it will be risky for anyone to show or publish any work without indicating the name of its author, since the author may bring a lawsuit against him. Thus, it is clear that Article 24(1) and Article 55(a) confer

protection to the author's right of attribution, or the right of paternity.²³

The question arises as to whether the author has an *exclusive right* to attach his/her name to his/her own work. It is not clear from the provision of Article 24(1) because it only gives the author the right to require the attachment of his/her name to his/her work. However, based on Article 55(b), the author can sue anyone who without his/her permission attaches the author's name (*nama pencipta*) to his/her own works (*pada ciptaannya*). Article 55(b) resembles Article 41(b) of the old Copyright Act.²⁴ The correctness of the Article 41(b) was once doubted and some Indonesian scholars argued that Article 41(b) was wrong and it should have stated that the author could only sue anyone who attached *another* person's name to the author's work.²⁵ However, the wording of Article 55(b) is clear and not ambiguous. If Article 55(b) is to be read alone, it is clear that it is only the author who has the right to attach his/her name to his/her work. However, it can be imagined that this will give rise to difficult and cumbersome situation. That is why, Anton's opinion that the meaning of Article 41(b) of the old Copyright Act might be confined to "the right of the author to determine author identification, i.e. whether, for example the work is to be published under a pseudonym or is to remain completely anonymous"²⁶ can

²¹ Act Number 19 of 2002.

²² Translation by Sati. Read: Yasmon Rangkyo Sati, 2006, *Indonesian Intellectual Property Directory*, ShortCUT Gagas Imaji, Jakarta, p. 52.

²³ For further discussion of the meaning of the right of attribution, see Cyrill P. Rigamonti, 2006. *Op.cit.*, pp. 363-364.

²⁴ The Copyright Act 1982. This Act was amended in 1987 and last amended in 1997.

²⁵ Christoph Antons, 2000, *Intellectual Property Law in Indonesia*, Kluwer Law International, London, p. 95.

²⁶ *Ibid.*

probably be used to define the meaning of Article 55(b) that resembles the old Article 41(b). Irrespective of this, however, Article 55(b) is necessary to give the author the right to prevent unauthorized attachment of his/her name to his/her work that has been altered by way of modification, mutilation, or distortion, etc., that may harm his/her honor and reputation.²⁷

Article 24 (2) of the Copyright Act 2002 states that “it is forbidden to make changes to a work although the copyright has been transferred to another party, except with the consent of the author, or his heirs if the author has been deceased.”²⁸ According to this Article, anyone is banned to make changes to a work without the author’s prior consent or his/her heirs’ if the author has passed away. Moreover, Article 24 (3) explains that an unauthorized making of changes in the title and subtitle of a work and in the name or pseudonym of the author is also prohibited. Article 55(c) and 55(d) also makes it clear that the author has the right to bring a lawsuit against anyone that without the author’s consent changes or replaces the title of a work or changes the content of the work. The meaning of “changes” has been explained in the Elucidation to Article 24 (2) of the Copyright Act to include any kind of “distortion, mutilation or any other forms of changing including reversing, cutting, damaging, substituting

that is related to the work, which eventually damages the appreciation and reputation of the author.”²⁹ Thus, based on these provisions, it is clear that the author has the right of integrity.³⁰

The Copyright Act also sets forth the duration of those moral rights. According to Article 33 of the Copyright Act, the term of protection of the right of attribution is without any time limit, whereas the right of integrity is valid during the period of copyright of the work concerned.

In essence, Articles 24 and 55 and the Elucidation to Article 24 (2) of Indonesian Copyright Act 2002 are in line with Article 6^{bis} of the Berne Convention for the Protection of Literary and Artistic Works (1971). Article 6^{bis} also gives an author the right of attribution and the right of integrity. Article 6^{bis} provides:

- (1) Independently of the author’s economic rights, and even after the transfer of the said rights, the author shall have the right to claim authorship of the work and to object to any distortion, mutilation of, or other derogatory action in relation to, the said work, which would be prejudicial to his honor or reputation.
- (2) The rights granted to the author in accordance with the preceding paragraph shall, after his death, be maintained, at least until the expiry of the economic rights, ...

²⁷ c.f. United States Visual Artists Rights Act, 17 U.S.C. § 106 A (1990) grants the artist the “right to prevent the use of his or her name as the author of the work of visual art in the event of a distortion, mutilation, or other modification of the work which would be prejudicial to his or her honor or reputation.” 17 U.S.C. § 106 A(a)(2).

²⁸ Translation by Yasmon Rangkyo Sati, 2006, *Op.cit.*, p. 52.

²⁹ *Ibid.*, p. 76.

³⁰ For further discussion of the meaning of the right of integrity, see Cyrill P. Rigamonti, 2006. *Op.cit.*, pp. 364-367.

Comparing the provisions of moral rights in Indonesian Copyright Law mentioned above and the provision in the Berne Convention, one can find that Indonesian position is better. In Indonesian Copyright Act, the prohibited actions for the protection of the right of integrity are more specific in that they include, but not limited to, distortion, mutilation, reversing, cutting, damaging, and substituting. Article 6^{bis} mentions only “any distortion, mutilation of, or other derogatory action.” Additionally, the duration of the right of attribution in Indonesia is without any time limit and the duration of the right of integrity in the country is equal to the life of copyright concerned.³¹ On the other hand, Article 6^{bis} (2) does not differentiate between the period of protection of the right of attribution with that of the right of integrity and states that all kinds of moral rights shall last during the life of the author and at least until the expiry date of the economic rights. In other words, the Berne Convention does not recognize the unlimited time moral rights. Thus, it is clear that Indonesian Copyright Law provides better protection of moral rights than the Berne Convention.

After it was uncertain whether or not Indonesian old Copyright Law gave the author the right to oppose the destruction of his/her work,³² the Elucidation to Article 24 (2) of the current Copyright Act 2002

makes it clear that the right of integrity includes the right to prevent the destruction of the work. The Elucidation states that the act of change or alteration (*perubahan*) includes “damaging”³³ (*perusakan*). This position is interesting taking into account that the Berne Convention does not explicitly recognize it and its recognition is still controversial in some countries. For example, the United States provides certain visual artists with the right to oppose the destruction of original embodiments of works,³⁴ which is usually not protected in Continental Europe. Additionally, European moral rights law typically confines the right of integrity to the right to object to modifications of the work, and European courts are reluctant to extend this right to the right to prevent the destruction of works.³⁵

Like Article 6^{bis} of the Berne Convention, according Article 24 of the Copyright Act 2002, a person can be considered as violating the right of integrity only if the person’s act towards the work is detrimental to the honor and reputation of the author. Thus, unauthorized modification of the work which can improve the quality of the work does not constitute a violation. This is different from the law in Germany and France where authors have the right to prohibit alterations of their works without their consent, regardless of whether the

³¹ According to Articles 29, 30 and 31 of Indonesia’s Copyright Act 2002, certain works are protected during the life of the author plus fifty years after the death of the author, and other works are protected within fifty years.

³² But see Christoph Antons, 2000, *Op.cit.*, p. 96, stating that the word “alteration” used in the old Copyright Act should encompass act of destruction; therefore, the author has the right to object to unauthorised destruction of his/her works.

³³ Translation by Yasmon Rangkyo Sati, 2006, *Op.cit.*, p. 76.

³⁴ United States Visual Artists Rights Act, 17 U.S.C. § 106 A(a)(3)(B).

³⁵ Cyrill P. Rigamonti, 2006, *Op.cit.*, p. 371.

alterations would negatively impact or objectively improve the work.³⁶

The moral rights in Indonesia are inalienable rights in the sense that they cannot be transferred to third parties. According to the Elucidation to Article 24, the right of integrity cannot not be transferred during the life of the author, except with a testament of the author based on the laws and regulations. What remains uncertain is the extent of the inalienability of the right of attribution. The Elucidation to Article 24 is silent on whether or not the right of attribution can be transferred. In the writer's opinion, there is a printing error in the Elucidation to Article 24. The Elucidation should have stated that the right of attribution is also nontransferable at least during the life of the author. However, the silence of the Elucidation to Article 24 regarding the issue may be interpreted differently. Although it is arguable, the legislators have probably relied on Article 33(1), which states the protection of the attribution right is without any time limit, to convey that the right is nontransferable perpetually. This means that after the death of the author, the attribution right will be passed on only to the author's heirs. However, the perpetual inalienability of moral rights is still controversial since it is against the principle

of freedom of contract between authors and users of their works.³⁷

Despite the above-mentioned clear provisions of moral rights in Indonesia, some have argued that they are inadequate, and are not consonant with the provision of the Berne Convention.³⁸ It has been stated that because of its lack of clear provisions of moral rights, Indonesia's Copyright Act 2002 cannot be used to resolve infringement of moral rights adequately.³⁹

The infringement of moral rights in Indonesia has been very serious. The infringement encompasses plagiarism in academic writings, mutilation of songs in Ring Back Tone, parody in lyric of songs, broadcasting songs without mentioning the name of the authors by TV or radio stations, colorization of black and white films, censoring of films, modification of dance, mutilation of paintings, reproduction of paintings, etc.⁴⁰ Most of these infringements are unresolved.⁴¹

In Indonesia, some people sometimes attribute wrongdoings in the society to inadequate relevant statutory provisions without first reading them. This is true in the case of rampant infringement of moral rights in the country. Since it is believed that the current provisions of moral rights in the Copyright Act 2002 are unclear and

³⁶ *Ibid.*, p. 364.

³⁷ *Ibid.*, pp. 361-362.

³⁸ V. Henry Soelistyo B., 2010, p. 9.

³⁹ According to Henry in his research, with the old *Copyright Act 1982* and the *Copyright Act 2002*, moral rights infringements and disputes could not be settled down adequately. See: *ibid.*, p. 519. See also: Firman Venayaksa, 2006, "Wajah Plagiator Sembunyi di Ketiak Intelektual", <http://www.rumahdunia.net/wmview.php?ArtID=652&page=5>, retrieved on 30 September 2010, as quoted in V. Henry Soelistyo B., 2010, *Op.cit.*, pp. 310-311.

⁴⁰ V. Henry Soelistyo B, 2010, *Op.cit.*, pp. 298-460, discussing the various kinds of moral rights infringement in Indonesia.

⁴¹ *Ibid.*

inadequate, the infringement of moral rights in the country cannot be resolved.⁴² It has therefore been suggested that the Act should be amended in order to provide clearer and adequate protection of moral rights of authors. Therefore, the Copyright Bill has been distributed and discussed although not certain when it will be approved and promulgated. In relation to moral rights, the Copyright Bill provides the following provisions.

Exclusive rights of an author shall consist of economic rights and moral rights. This is mentioned in Article 2(2) of the Bill. This is to amend Article 2(1) of the Copyright Act 2002 which does not mention moral rights in the definition of copyright although, as indicated above, the Act contains Articles 24 and 55 which definitely provide protection to moral rights. The prospective inclusion of moral rights in the definition of copyright is very similar to Taiwan's position in Article 3 number 3 of its Copyright Law, which states: "Copyright" means the moral rights and economic rights subsisting in a completed work.⁴³ This inclusion will convey firm statutory recognition of moral rights in Indonesia. Of course, this must be accompanied by more provisions which will set forth rights that an author will have.

Article 24 of the Copyright Act 2002 mentioned above will be amended and replaced by Article 32 of the Copyright Bill that enumerates the following moral rights:⁴⁴

- (1) The author shall be entitled:
 - a. to have his/her name attached or not attached to his/her work used for the public;
 - b. to use pseudonym;
 - c. to make changes in his/her work in accordance with social propriety;
 - d. to make changes to the title and subtitle of his/her work; and
 - e. to take action against distortion, mutilation, or other modifications or other actions prejudicial to the author's honor or reputation.
- (2) The moral rights laid down in paragraph (1) shall remain valid although the economic rights of the author has expired;
- (3) The rights laid down in (1) cannot be transferred during the life of the author, but the implementation of the rights can be transferred with a will or because of other legal reasons according to laws after the author passes away;
- (4) The author or the transferee may abandon his/her moral rights as long as the abandonment is stated in a clear and written form.

The above-mentioned Article 32 of the Copyright Bill provides the right of attribution and the right of integrity. This article provides the right of integrity in an active way, namely, that the author is given exclusive rights to use his/her pseudonym and to make changes to his/her work, its title and subtitle. So, this provision of the Copyright Bill is firmer than that of the Copyright Act 2002 which provides these moral rights in a passive way, namely that the author only has the right to take action

⁴² See note 39 and its accompanying text.

⁴³ Copyright Act of Taiwan (last amended on 11 July 2007), accessible from *tipo.gov.tw*.

⁴⁴ An unofficial translation by the writer.

to anyone that changes his/her pseudonym and changes his/her work, title and subtitle of the work without the author's consent.

Like the current Copyright Act in Article 55, the Copyright Bill in Article 61 also provides that the submission of copyright on the entirety of a work to any other person shall not abridge the right of the author or his/her heirs to bring a lawsuit against those who violate their moral rights mentioned in Article 32 of the Bill. However, Article 61 of the Bill is nothing more than Article 55 of the current Copyright Act 2002.

In terms of whether or not the author has an exclusive right to attach the his/her name, Article 32 (1) a of the Bill should be read together with Article 61(b), which states that the author can sue anyone who without his/her consent attach the author's name on his/her work. Like Article 55(b) of the Copyright Act 2002, Article 61(b) of the Bill clearly indicates that the author has the exclusive right to attach his/her name to his/her work. Thus, Article 61(b) of the Copyright Bill supports Article 55(b) of the Copyright Act 2002 in countering the suspicion of certain scholars that that kind of provision was wrong.⁴⁵

Another provision, which is Article 40 of the Copyright Bill, provides that the author's right to have his/her name attached on his/her work will last forever. This Article also mentions that the right to use pseudonym and to make changes to his/her work shall last during the economic rights of the author. This provision of the

Bill, however, only resembles the content of Article 33 of the current Copyright Act 2002, mentioned above, which lays down the duration of moral rights.

The Copyright Bill in Article 32 explicitly confers the author the right to file a lawsuit against any person who makes distortion, mutilation, modification and other derogatory actions which would be prejudicial to his/her honor or reputation. However, the Bill and its Elucidation do not explicitly include an act of "damaging" or destruction as one of the derogatory actions. This is different from the current Copyright Act which, as mentioned above, in its Elucidation to Article 24 (2), provides the act of change or alteration (*perubahan*) includes "damaging"⁴⁶ (*perusakan*). This demonstrates that the Bill follows the position of Article 6^{bis} of the Berne Convention which does not explicitly mention an act of destruction.

The uncertainty of the inalienability nature of the right of attribution in the current Copyright Act is answered by the Copyright Bill. Article 32 (3) provides that all moral rights cannot be transferred to any third person only during the life of the author; the inalienability of the right of attribution is therefore only during the life of the author. However, this position is questionable since the right of attribution is attached to the personality of the author and is a question about who has really created the work which cannot be replaced by anyone else. Additionally, it has been explicitly stated in the Copyright Bill that

⁴⁵ See notes 25 and 26 and accompanying texts.

⁴⁶ Translation by Yasmon Rangkeyo Sati, 2006, *Op.cit.*, p. 76.

the protection of the right of attribution is without any time limit. Therefore, a recommendation that the inalienability of the right of attribution be without any time limit⁴⁷ is reasonable.

The current statutory provisions of moral rights and the planned ones in the Copyright Bill provide the author with the right of attribution and the right of integrity. The Copyright Bill will not make important changes to the current position. The Bill only modifies the current passive way into the active way of providing moral rights statutorily. There are actually some other considerations that may be taken if the country really wants to extend the moral rights of authors. For example, whether the country will provide the author with the right of disclosure. The right of disclosure gives the author an exclusive authority over the decision to publish, sell, unveil, or make her work public.⁴⁸ Although Article 2 (1) of the Copyright Act 2002 provides that copyright means “the exclusive right of an Author or a Copyright Holder to publish [...] his/her work,” it does not mean the author has the moral right of disclosure since the right of publication in the Article is also owned by the copyright holder. Thus, it is clear that the Article does not provide the author with the right of disclosure.

In addition, the right of withdrawal can also be considered by Indonesia. The right of withdrawal provides the author with the right to withdraw his/her work after it was made public.⁴⁹ The right of withdrawal will protect the reputation of the author since the author can remove his/her work from the public at any time if the author feels uncomfortable with the work in the public. The right of disclosure and the right of withdrawal have been recognized in European Countries, including France, Germany, and Italy.⁵⁰

C. Perspectives on Parallel Importation

Parallel importation has become an important issue in Indonesia since 1996. However, it is a relatively new concept in the country’s intellectual property laws. In the area of trademarks, for example, although parallel importation has frequently occurred, it is difficult to use Indonesian trade mark law to address the issue. Even though Indonesian copyright and patent laws contain provisions relating to parallel importation, some uncertainties remain.

Since 1996, it has been detected that many automobile spare parts bearing genuine trade marks were imported in parallel with the importation by authorized distributors.⁵¹ In 1998, the Motion Picture

⁴⁷ V. Henry Soelistyo B., 2010, *Op.cit.*, p. 506 and 509., arguing that moral rights in general cannot be transferred and the right of the author to have his/her name attached to his/her work should never end.

⁴⁸ Rikki Sapolich, “When Less isn’t More: Illustrating the Appeal of Moral Rights Model of Copyright Through a Study of Minimalist Art”, *IDEA*, Vol. 47, No. 4, 2007, p. 477.

⁴⁹ *Ibid.*

⁵⁰ Cyrill P. Rigamonti, 2006, *Op.cit.*, pp. 362-363, discussing the right of disclosure and the right of withdrawal in France, Germany and Italy.

⁵¹ Redaksi Motor, “Parallel Importer Mengebiri Agen Resmi”, *Motor*, 16 August 1996, retrieved from. Also, in 1996, the parallel importation of many laser discs and videocassettes became a serious concern of the General Director of Radio, Television and Film. See: Redaksi Kompas, “Pelaku Impor Paralel LD akan Ditindak”, <http://www.kompas.com/9604/13/dikbud/Pela.htm>, retrieved on 30 September 2010.

Association (MPA) protested to the Indonesian government regarding the parallel importation of their products into this country.⁵² The parallel importation of several KIA Carnival built-up cars from South Korea also occurred in the middle of 2000.⁵³ As of early 2008, the flow of parallel imports of electronic products, such as plasma and LCD television sets and air-condition machines, has been increasing.⁵⁴ Genuine BlackBerry Gemini mobile phones have also been brought by parallel importers into Indonesia since September 2009 despite their difficulty in obtaining import licences.⁵⁵

1. Trade Mark Law

Under the Trade Marks Act 2001,⁵⁶ it is not certain whether parallel importation is a trade mark infringement. Article 76(1) of the Act gives a trade mark holder the right to sue one who without authority imitates his or her trade mark. However, it is not certain whether parallel importation falls within the scope of the provision. Article 76(1) of the Act provides:

The owner of a registered trade mark may file a lawsuit against another who

unlawfully uses a trade mark which has similarity in its essential part or its entirety with his trade mark for goods or services of the same kind.

The position of a trade mark holder is strengthened by Articles 90 and 91. Article 90 imposes a penalty of 5 years' imprisonment and a maximum fine of Rp1,000,000,000 on someone who deliberately and unlawfully uses a trade mark *entirely* similar to another's registered trade mark for goods and/or services of the same kind. Article 91 imposes a penalty of 4 years' imprisonment and a maximum fine of Rp800,000,000 on one who deliberately and unlawfully uses a trade mark *essentially* resembling another's registered trade mark for goods and/or services of the same kind.

In essence, according to these three Articles, a trade mark violation occurs when a person uses a trade mark which is: (a) "essentially" or (b) "entirely" similar to a registered trade mark owned by someone else. An example of (a) is the trade mark "Raja Kampak" which is essentially similar to the registered trade mark "Kampak" for bicycle tires.⁵⁷ Another example is the

⁵² Redaksi Kompas, "Lebih Jauh dengan Bambang Kesowo", <http://www.kompas.com/9807/05/naper/lebi.htm>, retrieved on 30 September 2010.

⁵³ Redaksi Kontan, "Impor Paralel", <http://www.kontan-online.com/05/05/manajemen/man1.htm>, retrieved on 30 September 2010.

⁵⁴ Redaksi Suara Merdeka, "Impor Paralel Produk Elektronik Diwaspadai", <http://suaramerdeka.com/v1/index.php/read/cetak/2008/05/12/13044/Impor.Paralel.Produk.Elektronik.Diwaspadai>, retrieved on 23 May 2010. To make it worse, customs duty and sales tax were not paid for these parallel imports.

⁵⁵ NewsWeb, "Impor Paralel BlackBerry Gemini Belum dapat Izin", <http://webcache.googleusercontent.com/search?q=cache:Y53HB-d5NrEJ:onggok1211.blog.telkomspeedy.com/2009/09/09/impor-paralel-blackberry-gemini-belum-dapat-izin/+impor+paralel+Indonesia&cd=2&hl=id&ct=clnk&gl=id>, retrieved on 23 May 2010.

⁵⁶ Act No. 15 of 2001.

⁵⁷ The Jakarta District Court's decision No. 431/1971 G, 16 November 1972 affirmed by the Supreme Court's decision No. 178K/SIP/1973, 7 May 1973 cited in Sudargo Gautama, 1989, *Hukum Merek Indonesia*, Citra Aditya Bakti, Bandung, p. 89. This decision was based on Article 10 of the earlier Trade Marks Act, namely Act No. 21 of 1961 which provided that a trade mark owner could file an application in the Jakarta District Court to cancel the registration of a trade mark which was "essentially" or "entirely" similar to his or her trade mark.

trade mark “Majestic” which is essentially similar to the registered trademark “Silver Queen” for chocolate products because the two marked products use similar packaging.⁵⁸

In relation to the use of a trade mark “entirely” similar to another trade mark, cases which have arisen relate only to the use of a trade mark on *non-genuine* goods. They mostly relate to the use of trademarks entirely similar to well-known trademarks but which have been applied to *non-genuine* (counterfeit) goods.⁵⁹ For example, Indonesia’s Supreme Court has cancelled the registration of the trade marks “Guess”,⁶⁰ “Christian Dior”⁶¹ and “Caxton”⁶² applied to non-genuine goods without the consent of the well-known trade mark owners.⁶³

So far, there has been no court decision with regard to whether parallel importation, which always involves genuine goods, can fall within the meaning of the “use of a trade mark entirely similar to another trade mark” mentioned in Articles 76(1)

and 90. In addition, there is no explanation at all in the Explanatory Memorandum to the Trade Marks Act 2001 regarding this. However, there is evidence which suggests that parallel importation is outside the scope of Articles 76(1) and 90. After finding that parallel imports of “Castrol” lubricants were available in Jakarta, Castrol Indonesia Inc. did not use the former Articles 72(1) and 81 in the Trade Marks Act 1992,⁶⁴ which were respectively identical to Articles 76(1) and 90 of the Trade Marks Act 2001, to sue the parallel importer of the products. Gunawan⁶⁵ stated that Castrol Indonesia could not rely on the provisions of the trade mark law, but rather they could use certain regulations on the provision and importation of lubricants. The company relied especially on Presidential Decree No. 18 of 1988 which gave the state oil company, Pertamina, the exclusive right to provide and import lubricants into Indonesia. Thus, the question became whether or not the parallel

⁵⁸ The Supreme Court’s decision No. 2482/PDT/1991, 14 August 1995, cited in Maulana I. B., 1999, *Perlindungan Merek Terkenal di Indonesia dari Masa ke Masa*, Citra Aditya Bakti, Bandung, p. 130.

⁵⁹ Other cases related to the use of trade marks “entirely” similar to well-known trade marks but for goods not of the same kind as those of the owners of the well-known trade marks. For example, the Supreme Court cancelled the registration of the trade mark “SONY”, for plastic products, which was entirely similar to the trade mark “SONY” for electronics. See the Supreme Court’s decision No. 1489 K/PDT/1991, 22 February 1995, cited in *Ibid.*, p. 81.

⁶⁰ The Supreme Court’s decision No. 487 PK/PDT/1992, 30 March 1995, cited in *Ibid.*, p. 164.

⁶¹ The Supreme Court’s decision No. 485 PK/PDT/1992, 20 September 1995, cited in *Ibid.*

⁶² The Supreme Court’s decision No. 1445 PK/PDT/1995, 16 July 1996, cited in *Ibid.*

⁶³ c.f. *RA & A Bailey & Co. Ltd v. Boccacio Pty Ltd* (1986) 6 IPR 279, in which Young J. said that the exclusive use of the trade mark conferred by s.58 (1) of the Trade Marks Act 1955 upon the registered proprietor only operated to prevent the sale in Australia of goods which were not the proprietor’s but which were marked with his trade mark. Section 58 (1) provides: “The registration of a trade mark [...] if valid, gives to the registered proprietor of the trade mark the right to the exclusive use of the trade mark in relation to goods or services in respect of which the trade mark is registered and to obtain relief in respect of infringement of the trade mark in the manner provided by this Act.”

⁶⁴ The Trade Marks Act 1992 as amended by the Trade Marks Act 1997.

⁶⁵ Gunawan Suryomurcito is an intellectual property attorney at Suryomurcito & Co. and Rouse & Co. International, Jakarta, Indonesia.

importation of the lubricants was authorized by Pertamina⁶⁶ *not* by the trade mark owner.

It is also uncertain whether the exclusive right to use a trade mark includes the exclusive right of importation. Article 3⁶⁷ of the Trade Marks Act 2001 only mentions that the right to a trade mark is the exclusive right to *use* the trade mark or to grant a license to *use* the trade mark. Unfortunately, which acts exactly constitute legal use of a trade mark and which acts fall outside this scope is not defined in the Act. So far, there has been no academic literature which addresses this issue.⁶⁸ As a result, it is not certain whether the exclusive right to use a mark includes the right to prevent parallel importation.

The legal position regarding trademarks and parallel importation will depend upon interpretation by the courts. The courts may interpret that parallel importation constitutes the “use of a trade mark entirely similar to another trade mark” on genuine goods. If this is the case, then parallel importation is illegal in Indonesia.⁶⁹

2. Copyright Law

In relation to copyright, Indonesia has changed its position on the parallel importation of goods which are subject to copyright. The previous Copyright Act 1982⁷⁰ was silent on the issue of parallel importation. Now, under the new Copyright Act 2002,⁷¹ parallel importation constitutes a copyright infringement.

Article 2(1) of the Act provides: “Copyright constitutes an exclusive right of an author or a copyright holder to publish or reproduce its work [...]” According to the Explanatory Memorandum to Article 2 (1),⁷² the exclusive right “to publish or reproduce” includes the right of importation. This means that any unauthorised importation constitutes an infringement of the exclusive right of a copyright owner. Thus, the copyright owner has the right to prevent parallel importation.

The protection of a copyright owner’s interest against parallel importation is strong. This is because, apart from giving the owner the right to claim damages against

⁶⁶ A conversation by the writer with Gunawan Suryomurcito, an intellectual property attorney at Suryomurcito & Co. and Rouse & Co. International.

⁶⁷ Article 3 provides: “The right to a mark is an exclusive right granted by the State to the owner of a mark registered in the General Register of Marks to use the mark himself or herself for a certain period or to grant permission to another person to use the mark.”

⁶⁸ Christoph Antons, 2000, *Op.cit.*, p. 267.

⁶⁹ c.f. the decision of Australia’s Federal Court in *Transport Tyres Sales Pty. Ltd v. Montana Tyres Rims & Tubes Pty. Ltd* (1999) 43 IPR 481 in interpreting the scope of “uses as a trade mark a sign that is substantially identical with ... the trade mark in relation to goods ...” mentioned in s.120(1) of Australia’s Trade Marks Act 1995 in relation to parallel importation. The Federal Court appeared to take the view that the parallel importation of tyres constituted “use as a trade mark” as mentioned in s.120(1). The judgment of the Federal Court reads: “The mere sale of the tyres in question would involve use of the Trade Marks because of the moulding of the Trade Marks on the tyres”. *Ibid.*, p. 498. However, since the moulding was applied with the consent of the trade mark owner, s.123 excused the use of the trade mark by the parallel importer. In other words, it is only because of s. 123, that the parallel importation of the tyres did not constitute a trade mark infringement.

⁷⁰ Act No. 6 of 1982 as amended by Act No. 7 of 1987 and Act No. 12 of 1997.

⁷¹ Act No. 19 of 2002.

⁷² The Explanatory Memorandum to Article 2(1) provides: “The meaning of ‘to publish or reproduce’ includes an act of translating, adapting ...selling, renting ... *importing* ...” (Emphasis added).

a parallel importer⁷³ and seek an injunction preventing the flow of parallel imports into Indonesia,⁷⁴ Indonesian copyright law makes it a criminal offence to parallel import copyright material. This is inferred from Article 72(1) of the Copyright Act which provides:

Anyone who intentionally and without being entitled commits an act as described in Article 2(1) ... shall be penalized with a jail term of at least 1 (one) month and/or a fine of at least Rp1,000,000.00 (one million rupiah) or with a jail term of at most 7 (seven) years and a fine of at most Rp5,000,000,000.00 (five billion rupiah).

Article 72 (1) does not specifically mention parallel importation. However, since importation is one of the exclusive rights of a copyright owner mentioned in Article 2 (1) and its Explanatory Memorandum, someone who engages in parallel importation can be penalised owing to Article 72 (1).

Although the new Copyright Act has taken a position on parallel importation, it is uncertain whether the current position is adequate to deal with the issue. Since the parallel importation of goods in which copyright subsists can take place in different situations, it is uncertain whether the current provisions apply to all of these situations.

Parallel importation of goods which are subject to copyright usually occurs in two

different situations. First, it can occur when the goods are first sold outside the country of importation. In the case of a net importer of intellectual products like Indonesia, most parallel importation arises in this situation.⁷⁵ Secondly, the parallel importation of goods which are subject to copyright can also occur in a situation where the goods which are parallel imported are originally sold in the country of importation. This situation involves a “round trip” journey of goods. The goods are first sold in Indonesia, exported to a foreign country but then imported back into Indonesia. The issue is whether the current position can be used to determine the legality of parallel importation in these two situations. There is no indication in Indonesia’s Copyright Act 2002 that these considerations were in the mind of the draftsmen of Article 2 (1) of the Act. However, when dealing with parallel importation in these situations, the Indonesian courts may just rely on Article 2 (1) and its Explanatory Memorandum and may therefore hold in favour of a copyright owner. As a result, the owner could block parallel imports and obtain the opportunity to maintain the price of its goods sold within Indonesia higher than those sold in a foreign country.

3. Patent Law

In relation to patents, based on Article 16 (1) of the Patents Act 2001,⁷⁶ a patent

⁷³ Article 56(1) provides: “A Copyright holder is entitled to claim damages in the Commercial Court for the infringement of its copyright ...”

⁷⁴ Article 67 provides: “[T]he Commercial Court can issue an injunction immediately and effectively in order to: a. prevent the continuation of an infringement of copyright, especially to prevent the entry into the channels of commerce of goods suspected to infringe copyright ... including an act of importation.”

⁷⁵ See T. Z. Chang, “Parallel Importation in Taiwan: A View from a Newly Emerged Country and a Comparative Analysis”, *International Marketing Review*, Vol. 10, No. 6, 1993, pp. 30-41.

⁷⁶ Act No. 14 of 2001.

holder can prevent parallel importation. Article 16 (1) provides:

A Patent Holder shall have the exclusive right to exploit his patent, and prohibit any other person who without his consent: a. in the case of product patent: makes, sells, **imports**, rents out, delivers, uses, makes available for sale, or rental or delivery of the patented product; b. in the case of a process patent: uses the patented production process to make products, and commits other activities referred to in point a. (Emphasis added).

Clearly, Article 16 (1) of the Act gives a patent holder the exclusive right to prohibit others from importing his/her patented products and or products made by using his/her patented process without his/her authorisation. The effect is that, if a patent holder sells his/her patented products in a foreign country, another person do not have the right to import the products from this foreign country into Indonesia unless he or she obtains a prior authorization from the patent holder. With respect to a process patent, a person must also obtain a patent holder's consent in order that he or she can import into Indonesia products made in Indonesia which have been sold in a foreign country or products made in a foreign country using the patent holder's process patent.

That a patent owner can use Article 16(1) to prevent parallel importation can be explained in the following way. For example, an American Corporation obtains a patent both in the United States and in Indonesia

claiming product X. The Corporation then appoints B as its exclusive licensee to distribute the products in Indonesia. The Corporation also has a subsidiary in Malaysia which manufactures the same products. Because the price of the products from the subsidiary are much cheaper than the same products from the exclusive distributor in Indonesia, a person without the patent holder's consent imports the products from Malaysia into Indonesia. Based on Article 16(1), the Corporation can prevent the parallel importation.

Like its copyright law, Indonesian patent law gives a patent owner strong protection against parallel importation. This is because, under the Patents Act 2001, an unauthorised importation of patented goods also constitutes a criminal offence. This is the effect of Article 130 which provides:

Anyone, who intentionally and without being entitled violates the right of the patent holder by committing an act as described in Article 16, will be penalized with a jail term of at the most 4 (four) years and a fine of at the most Rp500,000,000.00 (five hundred million rupiah).

The term "parallel importation" is not mentioned in Article 130. However, the Article applies to a parallel importer because he or she commits one of the acts mentioned in Article 16 as the exclusive rights of a patent holder, namely importation, without the authorisation of the patent holder.

Additionally, based on Article 118 (1)⁷⁷ of the Patents Act 2001, a patent holder

⁷⁷ Article 118 (1) provides: "The patent holder or the holder of a licence is entitled to claim damages [...] from any person who intentionally and without being entitled carries out an act as described in Article 16".

has the right to claim damages against an unauthorised importer. In this regard, the Patents Act 2001 is stricter than the Patents (Amendment) Act 1997. This is so since the new Act no longer includes the “innocent infringement” provision of Article 122 (1a)⁷⁸ of the Patents (Amendment) Act 1997. Under the former Article 122 (1a), a patent holder’s claim could be rejected if the defendant was not aware of the infringement or if the defendant had strong evidence for her/his lack of knowledge of the infringement. Under the Patents Act 2001, no such defence for the defendant is available. As a consequence, an innocent parallel importer can be caught by Article 118 (1) of the new Act. This demonstrates that the new Act gives a patent holder stronger protection against parallel importation than the Patents (Amendment) Act 1997. So far, there has been no explanation regarding the reason behind this policy. The wisdom of this policy is therefore questionable.

As in the case of the Copyright Act 2002, it is questionable whether the position of the Patents Act 2001 applies in all situations in which parallel importation normally arises. Parallel importation of patented goods usually arises in two different situations. First, it arises in a situation where it is the patent owner his/herself which makes the first sale of his/her patented goods which are then parallel imported. Secondly, it occurs when it is the licensee of the owner which puts the goods

on the market. Without bothering with these two different situations, courts will probably apply Article 16 (1) in deciding in favour of the patent owner.

The Patents Act 2001 exempts from penal sanctions the unauthorized importation of pharmaceutical products. This is stated in Article 135(a) of the Act:

Exempted from the penal sanction provisions ... are: (a) **importing** a pharmaceutical product patented in Indonesia and the product has been marketed in a country by the patent owner provided that the act of importing complies with certain regulations. (Emphasis added).

According to Article 135 (a), the first sale by a patent owner of pharmaceutical products results in the exemption of a parallel importer of the products from penal sanctions. However, the patent owner still has the right to claim damages against the parallel importer based on Article 118 (1) of the Patents Act 2001. This means that the first sale does not exhaust the owner’s right to control any further dealing with the products. This indicates that Indonesia has made only “partial” legalisation of parallel importation of pharmaceutical products. This reflects that there is only minimal change in respect of the legality of the parallel importation of patented goods.

The “partial” legalization is not free from criticism. It has not been welcomed by the Indonesian people.⁷⁹ Article 135 (a) reflects that the Government did not intend to protect the interest of Indonesian consumers

⁷⁸ The former Article 122 (1a) provided: “The District Court may reject a claim for damages including account of profits which should have been made, if the defendant can prove that he/she does not know or has strong reasons not to know that he/she violated a patent owned by someone else which is protected in Indonesia.”

⁷⁹ This view was stated by Indah Sukmaningsih, the former Chief of the Indonesian Consumers’ Association, during a conversation with the present writer.

who still need cheap patented products, especially pharmaceutical products. Previously, through Article 21 of the former Patents Act 1989, the country allowed parallel importation. The Explanatory Memorandum to the earlier Article 21 mentioned that Indonesian people needed to develop local industries and technological skill and, therefore, Indonesia through the former Article 21 attempted to prevent unpleasant development that could have led to a restriction of imports of foreign products. The condition of Indonesian people asserted in the Explanatory Memorandum has not changed. Therefore, it is reasonable for the Indonesian Consumers' Association to take the view that Article 135 (a) is inadequate and suggests that Indonesia should adopt its previous approach set out in Article 21 of the earlier Patents Act 1989 in respect of not only pharmaceutical products but also other patented goods.⁸⁰

Article 135(a) provides that the first sale by a patent owner results in the exemption of a parallel importer of the owner's pharmaceutical products from penal sanctions. What remains unanswered is whether or not the first sale by a licensee or an assignee of the patent owner can also trigger the same result. So far, there is no explanation regarding this.

Indonesia seems to maintain its position on parallel importation of trade marked goods and of patented goods. There is no

provision in the Trade Marks Bill which is of relevance to the issue of parallel importation. Thus, legal uncertainty on this practice will remain. The courts may or may not deem parallel importation of trade marked goods as the "use of a trade mark entirely similar to another trade mark" on genuine goods. The Patents Bill does not contain any provision which will amend the current patent holder's rights laid down in Article 16(1) of the Patents Act 2001 which includes the exclusive right to import. Nothing in the Patents Bill which will revise the "partial" legalization of parallel importation of pharmaceutical products. Thus, although exempted from penal sanctions, parallel importers of these products may still face a civil lawsuit.

4. Expecting a New Position on Parallel Importation of Copyright Materials

The freedom of importing of copyright materials without the consent from a copyright holder may be had by importers in the near future. The Copyright Bill contains a provision providing that the copyright holder loses its right of distribution after its original works or copies of the works have been sold or their title has been transferred to others anywhere in the world. This is mentioned in Article 3 (2) of the Bill.

Article 3 (1) of the Bill mentions that the economic rights of a copyright holder comprise: the right of reproduction, the right of translation, *the right of distribution*, the

⁸⁰ Indah Suksmaningsih, *Akses Obat-Obatan dalam Undang-Undang Paten Indonesia*, the Indonesian Consumers' Association, unpublished manuscript, Jakarta, 18 April 2001 at 7 and 11. The Indonesian Consumers' Association had proposed that such a provision be included in the *Patents Bill*: "It shall be excluded from the provision of paragraph (1) and (2) of Article 17: [...] to import patented products into Indonesia, if the products have been freely marketed in another country's market by the patent owner or an authorised person": *Ibid.*, at 11. However, the proposal was not accepted finally by the Indonesian People's Representatives.

right of performance and others. However Article 3(2) of the Bill provides: “the right of distribution to the public as mentioned in paragraph (1) [...] shall not be applicable in relation to original works or copies of works that have been sold or their title has been transferred anywhere by the Author or the Copyright Holder.” It is clear that Article 3(2) of the Bill demonstrates that, if it finally becomes law, Indonesia will adopt the first sale doctrine or the international exhaustion principle. This is because the first sale of the copyright materials in any country will exhaust the right of distribution of the copyright holder. Consequently, the holder cannot prevent parallel importation of the materials.

The likelihood of the adoption of the international exhaustion principle in the copyright law is interesting since there has been no much discussion by people about the issue of parallel importation of copyright materials. Attention has been paid more to the issue of parallel importation of trade-marked goods rather than of copyright materials.⁸¹ This is partly because, as mentioned above, the number of trade-marked parallel imports entering Indonesia outweighs the number of copyrighted parallel imports.⁸² Therefore, it can be stated that the rationale behind the plan to adopt

the international exhaustion principle in the copyright law is still unclear.

Another option which can actually be adopted by Indonesia is the national exhaustion principle. This principle allows the parallel importation of copyright materials only if the first sale of the materials is done within the market in Indonesia. Thus, the practice is still prohibited if the first sale occurs outside Indonesia. This alternative will help the country in combating rampant piracy. Since some foreign pirated goods have been mingling with parallel imports, if certain parallel imports are still prohibited, some foreign pirated goods will be more easily detected and will not enter Indonesian market.⁸³

D. Protection of Traditional Knowledge and Folklore

Another current important issue which is of relevance to intellectual property law in Indonesia is the extent to which traditional knowledge must be protected. Traditional knowledges are knowledges developed by an indigeneous community, or intellectual creations based on tradition. They have been used by a generation and continued by next generations and developed in accordance with the need of a community in a certain region.⁸⁴ Traditional knowledges comprise

⁸¹ See, for example, Lita Analistya Dipodiputro, 2009, *Praktek Impor Paralel di Indonesia Ditinjau dari Hukum Kekayaan Intelektual di Bidang Merek: Studi Kasus PT Modern Photo Tbk dan PT International Photographic Supplies*, Undergraduate Thesis, Undergraduate Program, Faculty of Law Universitas Indonesia. See also, Pandecta, “Kapitalisme UU HaKI Kita”, 2008, <http://kelzen.wordpress.com/tag/impor-paralel/>, retrieved on 23 October 2010.

⁸² See notes 51-55 and accompanying texts.

⁸³ M. Hawin, 2010, *Intellectual Property Law on Parallel Importation*, Gajah Mada University Press, Yogyakarta, pp. 255-256.

⁸⁴ Javier Garcia, “Fighting Biopiracy: The Legislative Protection of Traditional Knowledge”, *Berkeley La Raza Law Journal*, Vol. 18, 2007, p. 7.

the method of cultivation, preparation and manufacture of plants, medication, medicines, recipes of foods and beverages, arts and etc.⁸⁵

Protection of traditional knowledges is necessary because they constitute sources of important knowledge relating to the life of human beings which can be commercialized. It was estimated that the value of the sale of products using traditional knowledge in the form of genetic resources was around US\$800 billions annually.⁸⁶ In addition, traditional knowledges have been used by researchers as the starting point of their research in order to obtain patents.⁸⁷ Therefore, the policy issue which arises is how to protect the traditional knowledges. So far, two methods have been adopted by countries, namely: traditional knowledges are governed in their intellectual property laws, or they are governed in their *sui generis* laws.

Certain provisions in the current Indonesian intellectual property laws are worth mentioning to examine whether or not they are of relevance to the protection of traditional knowledges. Article 7 b of Indonesian Patents Act 2001, for example, excludes from patentability several inventions, namely: “methods of examination, treatment, medication, and/or surgery applied to humans and/or animals.” This means that any invention in the form of these methods using traditional knowledge

cannot be patented. In other words, these traditional methods can be protected from monopolization by a certain person or company. However, this provision of Indonesian patent law is not supported by the Agreement on Trade-Related Aspects of Intellectual Property Rights (the TRIPS Agreement). Article 27 (3) a of the TRIPS Agreement states that: “Members *may* also exclude from patentability; (a) diagnostic, therapeutic and surgical methods for the treatment of human or animals.” The word “may” indicates that the provision is only optional. In other words, member countries of the WTO may confer patents on any traditional methods of treatment applied to humans or animals. Consequently, a traditional knowledge in Indonesia can be patented in these countries.

Article 7d of Indonesian Patents Act also excludes from patentability “all living creatures, except micro-organism,” and “any biological process which is essential in producing plant or animal, except non-biological process or microbiological process.” This means that any traditional knowledge relating to these items cannot be patented. However, this provision is also not supported by Article 27 (3)b of the TRIPS Agreement which gives discretion to member countries in relation to the patentability of living creatures and biological process.

Article 91 (1) a of the Patents Act enables a third party to bring a lawsuit for

⁸⁵ Ikechi Mgbeoji, “Patents and Traditional Knowledge of the Uses of Plants: is a Communal Patent Regime Part of the Solution to the Scourge of Bio Piracy”, *Indiana Journal of Global Legal Studies*, Vol. 9, No. 1, 2001, pp. 163-186.

⁸⁶ Anju Sharma, “Global Legislation on Indigenous Knowledge”, <http://www.scidev.net/en/policy-briefs/global-legislation-on-indigenous-knowledge.html>, retrieved on 23 October 2010.

⁸⁷ David R. Downes, “How Intellectual Property Could Be a Tool to Protect Traditional Knowledge”, *Columbia Journal of Environmental Law*, Vol. 25, 2000, pp. 253-255.

revocation of a patent because the relevant invention does not satisfy the novelty requirement. However, the problem is that not all traditional knowledges can be considered as prior arts. Article 3 (2) of the Patents Act defines a prior art as a technological disclosure “which has been announced in Indonesia or outside Indonesia in writing, by a verbal description or by a demonstration, or in other ways, which enables a skilled person to implement the Invention” before the filing date, or the priority date. It is not certain that traditional knowledges are falling under Article 3 (2). One way to solve the problem is to inventory traditional knowledges in clearly written forms and then to publicize them.

Article 10 (2) of the Copyright Act 2002 protects people’s traditional cultural expressions by way of determining their holder. The Article stipulates that the State shall hold the copyright for folklores and works of popular culture such as stories, legends, folk tales, epics, songs, handicrafts, choreography, dances, calligraphies and other artistic works. By stipulating that the State is the copyright holder of these traditional works, the State will protect them from unauthorized exploitation. Foreigners must obtain permission from an authorized institution in Indonesia before they can use the traditional works. On the other hand, Indonesian nationals can make use of these works without prior license. This means that although a traditional dance originates from Bali, for example, all Indonesian nationals can make use of it. Article 10 will be further

explained by a government regulation. Unfortunately, however, the awaited government regulation has not been issued until now.

Clearly, as demonstrated above, it is difficult to use the Patents Act to protect traditional knowledge. Indonesia can revise the Patents Act in order to protect traditional knowledge. For example, the patent law can require inventors to mention any traditional knowledge used in their patent application and to ask permission from the holder or custodian of the traditional knowledge. In addition, the country’s patent law can determine that traditional knowledge can be used to destroy the novelty of an invention or can be used to cancel a patent. India has done this. In 2002, India promulgated the Patents (Amendment) Act 2002 which added two reasons for cancellation of a patent or a patent application. First, the invention specification “does not disclose or wrongly mentions the source or geographical origin of biological material used for the invention.” Second, “The invention so far as claimed in any claim of the complete specification was anticipated having regard to the knowledge, oral or otherwise, available within any local or indigenous community in India or elsewhere.” India’s Patents Act also adds one more item on the list of inventions that cannot be patented, namely: “An invention which, in effect, is traditional knowledge or which is an aggregation or duplication of known properties of traditionally known component or components.”⁸⁸

⁸⁸ Graham Dutfield, 2003, *Protecting Traditional Knowledge and Folklore: A Review of Progress in Diplomacy and Policy Formulation*, International Centre for Trade and Sustainable Development & United Nations Conference on Trade and Development, Switzerland, p. 35.

Indonesia may follow India's effort to protect traditional knowledge using patent law. However, the Patents Bill⁸⁹ currently drafted in Indonesia does not contain such a provision. This may indicate that the country will not choose patent law as a means to protect the knowledge. This assumption is in line with the argument put forward by some scholars in the country that using intellectual property law to protect traditional knowledge is weak since intellectual property law tends to protect the economic rights of the author/owner rather than the spiritual aspects and cultural identity, which are inherent in any traditional knowledge.⁹⁰ They are of the opinion that using a *sui generis* law to protect the knowledge is better in that it can protect the knowledge in a more comprehensive way depending on Indonesia's discretion.⁹¹

Indonesia seems to prefer a *sui generis* law in protecting traditional knowledge. In 2007, Indonesia drafted a Bill on Protection and Use of Traditional Knowledge and Traditional Cultural Expressions⁹² (the Traditional Knowledge Bill). The Traditional Knowledge Bill defines the meaning of traditional knowledge⁹³ and focuses on ways and conditions of the exploitation of traditional knowledge. The Bill discriminates between the conditions for commercial exploitation by foreigners or foreign legal entities and those by Indonesian nationals

or Indonesian legal entities. Foreigners have to file an application to the government to get a license before they can make use of traditional knowledge while it is enough for Indonesian nationals to make a contract with the holder or custodian of traditional knowledge. The approval process for commercial exploitation by foreigners seems to be complicated since the application must be sent to a minister, examined by a team of experts, approved or not approved by the minister, but the license must be issued by the head of district (*bupati*) or governor if the relevant traditional knowledge is located in a certain district or a certain province.

The obligation of benefit sharing is also mentioned by the Bill. The user of traditional knowledge must share the benefits obtained with the holder or custodian of the knowledge. Furthermore, if the using of the knowledge results in a new creation, the holder or custodian also has the right to get the share of benefits accrued because of the commercialization of the new creation. However, the Bill does not determine the method of benefit sharing but rather lets the parties determine as long as complying with the principle of reasonableness (*kewajaran*). Unfortunately, the meaning of reasonableness is not defined.

The prospective *sui generis* law will protect the moral rights of people or community holding traditional knowledge.

⁸⁹ The present writer has a copy of the Bill. It can be downloaded from www.dgip.go.id.

⁹⁰ Dadang Sukandar, "Melindungi Pengetahuan Tradisional", *Sinar Harapan*, 18 Mei 2005.

⁹¹ *Ibid.*

⁹² *Rancangan Undang-Undang tentang Perlindungan dan Pemanfaatan Kekayaan Intelektual Pengetahuan Tradisional dan Ekspresi Budaya Tradisional*. The present writer has a copy of the Bill.

⁹³ According to the Bill, traditional knowledge is an intellectual creation in the field of science and technology having traditional heritage characteristics, which is produced, developed, maintained and protected by a certain community or society.

This is indicated by the Bill mentioning the possibility of rejecting the exploitation application if the exploitation will result in incorrect perception about certain relevant people or community or if it will make the people or community feel offended (*tersinggung*), insulted (*terhina*), and/or slandered (*tercemar*).

These above-mentioned provisions of the Bill will also apply to cultural expressions (folklore). This means that Article 10 of the Copyright Act 2002 which governs the protection of cultural expressions will be explained by this prospective law. As mentioned above, according to the article, Indonesian nationals of any region may use a traditional creation originating from any other region without having to have a governmental license. Based on the Bill, if their use is for commercial purpose, they must make a benefit sharing contract with the holder or custodian of the traditional creation. In the writer's view, if the Bill is finally passed into law, this kind of provision will be cumbersome and not easily be welcome by people since commercial use of such a creation is quite common today in the country by people without their being concerned with paying royalty.

The Bill also provides that the government shall make a data collection (*pendataan*) and documentation of traditional knowledge. However, there is no pro-

vision regarding the obligation of people to file or register their traditional knowledge. The absence of registration obligation in the Bill may indicate there is assumption of the drafters of the Bill that Indonesian people will be reluctant to register their traditional knowledge. The assumption is in line with the result of Agus Sardjono's research which demonstrates that the people holders of traditional knowledge in the country are normally of the opinion that they do not need protection of their traditional knowledge. The holders even argue that any effort by government to protect traditional knowledge is not of their affair and interest.⁹⁴ The absence of registration obligation in the Bill may also indicate that the success of protection of traditional knowledge in the country will depend on the effort of the government much more than on the active role of people.

Unlike the country's intellectual property laws which criminalize their infringement,⁹⁵ the Traditional Knowledge Bill will not deem infringement as a criminal offence. There is no criminal provision in the Bill. If an infringement happens, the holder or custodian of traditional knowledge is entitled to bring a lawsuit for damages against the infringer and/or to ask him/her to stop all activities in relation to the exploitation of the relevant traditional knowledge. Probably, one may argue that

⁹⁴ Agus Sardjono, 2006, *Hak Kekayaan Intelektual dan Pengetahuan Tradisional*, Alumni, Bandung, pp. 118-119.

⁹⁵ Except its copyright law, Indonesia's trade mark law, patents law, layout design and integrated circuit law, industrial design law, and trade secret law deem their infringement as criminal offense that warrants complaint (*delik aduan*). Based on Article 66 of the Copyright Act 2002, copyright infringement constitutes a criminal offense without any complaint from copyright owners. This is a departure from the position of the previous Copyright Act 1982 that copyright infringement constituted criminal offense that warrants complaint (*delik aduan*).

this may indicate that protection of traditional knowledge in Indonesia will be as not strict as that of intellectual property rights. However, apparently, making infringement as criminal offense does not always correlate with the success or failure of the country's effort in suppressing the infringement. In the area of copyright, for example, although infringement has been regarded as a crime, the country has failed in combating rampant infringement of copyright.⁹⁶

Another matter that is worth thorough consideration before the Bill is passed and promulgated as an act is which institution or department that shall be in charge of administering the registration, data collection and documentation of traditional knowledge. The Bill mentions that it must be outside the Directorate General of Intellectual Property (DGIP) under the Ministry of Law. This is probably because the law which governs the traditional knowledge is a *sui generis* law, which is not intellectual property law. However, the consideration of entrusting the DGIP to administer traditional knowledge should also be made for such an efficiency reason that an unauthorized exploitation of traditional knowledge in an invention in a patent application will be detected and thus prevented faster if the DGIP carries out registration and maintains the data and documentation of traditional knowledge itself rather than it must first wait for report or information of traditional knowledge from another institution or department.

E. Conclusion

The provisions in Indonesia's Copyright Act 2002 on the protection of moral rights are adequate. The Act provides the right of attribution that is the right of the author to have his/her name put or mentioned on his/her work, and the right of integrity that is the right of the author to have his/her integrity maintained. The right of attribution is protected without any time limit, whereas the right of integrity is protected during the period of copyright of the work concerned. Compared to Article 6^{bis} of the Berne Convention, the statutory protection of moral rights in the country is better. Indonesia will likely maintain this position since the Copyright Bill does not make any important change in moral rights protection.

Indonesian intellectual property laws differ in their stance on the legality of parallel importation. Since the country's Trade Marks Act 2001 is silent on the issue, it is difficult to argue that the practice constitutes a trade mark infringement. Under the country's Patents Act 2001, however, it is clear that parallel importation is illegal and it even constitutes as a criminal offence except for parallel importation of pharmaceutical products. Similarly, it is clear that Indonesia's Copyright Act 2002 deems parallel importation as illegal and as a crime. However, this last position of Indonesian Copyright Law will likely change taking into account the Copyright Bill which provides the international

⁹⁶ Indonesia has failed in suppressing piracy of copyright which has been more than 84%. Furthermore, between 2008 and 2009, the software piracy rate in Indonesia rose from 85% to 86%. See International Intellectual Property Alliance, "Indonesia: 2010 Special 301 Report on Copyright Protection and Enforcement", <http://www.iipa.com/rbc/2010/2010SPEC301INDONESIA.pdf>, retrieved on 6 June 2010.

exhaustion principle. Unfortunately, the rationale behind the plan to adopt the principle is still unclear.

To protect traditional knowledge, Indonesia seems to prefer to use a *sui generis* law. This is true since the country's current patent law does not contain any provision which directly protects the knowledge. In 2007, a Traditional Knowledge Bill was drafted and has been supported by some scholars. The Traditional Knowledge Bill defines the meaning of traditional knowledge and focuses on ways and conditions for its exploitation. The Bill discriminates between the conditions for commercial exploitation by foreigners and those by Indonesian nationals. Foreigners have to file an application to the government to get a license while it is enough for Indonesian nationals to make a contract

with the custodian of traditional knowledge. The obligation of benefit sharing is also mentioned by the Bill. The user of traditional knowledge must share the benefits obtained with the custodian of the knowledge. However, the Bill has some weaknesses, one of which is that the approval process for commercial exploitation by foreigners mentioned in the Bill seems to be complicated since the application must be sent to a minister, examined by experts, approved or not approved by the minister, but the license must be issued by a relevant head of district or governor. Another weakness is that the method of benefit sharing is not clear since the Bill is silent on the matter but rather lets the parties determine as long as complying with the principle of reasonableness which is undefined.

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