

## ASEAN SECTION

[The Association of South-East Asian Nations (ASEAN) comprise Singapore, Malaysia, Indonesia, the Philippines and Thailand. This section is intended to include articles, comments and notes from the various ASEAN countries other than Singapore. The international law aspects involving Singapore and ASEAN are included in the section, SINGAPORE AND INTERNATIONAL LAW.]

### THE LAW OF CONTRACT IN INDONESIA\*

#### *Introduction*

Articles 163 and 131 of the Netherlands-Indies "Constitution" and article II of the Constitution of the Republic of Indonesia distinguish two systems of private law — namely, European Private Law based on the Civil and Commercial Codes, and Adat (customary) law. In fact we also have to consider Islamic law (as interpreted by Adat law) with regard to marriages and divorces (and sometimes inheritance).<sup>1</sup>

For the purpose of this Workshop (having to do with *economic* transactions only) we may disregard the rules of Adat and Islamic law, since most of the commercial contracts (by way of legislation, governmental-decree or policy, and case law) are said to be governed by the legal principles and norms contained in the Civil and Commercial Code.<sup>2</sup>

#### *The Present Situation*

A research project on commercial contracts today by the Padjadjaran Law School under the auspices of the National Legal Development Board (Department of Justice) revealed that in the case of transnational contracts (*e.g.* contracts containing a foreign or an international element) which are made in the English language, foreign clauses and foreign legal terms originating from entirely different legal systems have been inserted, causing much confusion in the interpretation of the respective contracts. The word "citizen" for instance may mean "inhabitant" in the meaning used by articles 131 and 163 of the Netherlands-Indies "Constitution", resulting in the application of very different rules to the contracts compared to the case when "citizen" is interpreted as "national". The same applies to the use of "domicile" or "foreign company" according to the American legal system, or the English or French, as compared to the Indonesian meaning of the word.

\* Paper delivered at the Jakarta Workshop on Transnational Economic Enterprise, April 22-29, 1978.

<sup>1</sup> See also Gautama & others, *Credit and Security in Indonesia* (1973) pp. 9-43 (Legal Infrastructure).

<sup>2</sup> *Op. cit.*, note 1, pp. 12, 21-24. Also Subekti, *Pembinaan Hukum Nasional* (National Legal Development), Alumni (1975) pp. 77 and 105.

Since we have transnational contracts with parties from almost every corner of the world, this state of affairs is bound to bring about uncertainty as to which law is to be applied, although in the contract it has been expressly stated that Indonesian law has been chosen as the proper law of the contract.

In addition we found that international (consisting of bilateral, as well as multilateral) treaties or agreements are also applicable to these contracts, so that international law as well as foreign law may indirectly influence the application of Indonesian law to transnational contracts. Meanwhile, many Indonesian administrative rules are also to be considered, as in the case of foreign investment contracts.<sup>3</sup>

The statement that Indonesian contracts are governed by the Civil and Commercial Code is therefore incorrect, because in fact many administrative rules and new legislation (such as the Nationality Law (No. 62/1958), the Basic Agrarian Law (No. 5/1960), the Foreign- and Domestic Investment Laws, a.o, have modified the application of the legal rules or principles contained in the Civil and/or Commercial Code. To mention some examples: (a) the rule based on the "one share one vote" principle as set out in S.G. No. 11/1974 has changed the application of article 54 of the Commercial Code, which limit the voting right of any shareholder to six votes; (b) article 33 of the Constitution, which provides that:

- (1) Such kinds of production which are important to the State, and which affect the life of most people, shall be controlled by the State;
- (2) Land and water and the natural riches therein shall be controlled by the State and shall be exploited for the greatest welfare of the peoples;

bears a great influence on the meaning of property and the principle of freedom of contract, regulated by article 570 (on property)<sup>4</sup> and article 1338 (on contracts) of the Civil Code; (c) it has become equally incorrect to state that Indonesian contract law (and also Indonesian private law as a whole) is basically the same as the Dutch law simply because of the application of a number of principles and rules of the Civil and Commercial Codes, derived from the Dutch Civil and Commercial Codes.

The spirit of *laissez-faire* of the 19th century which is projected into the Civil and Commercial Codes, is totally strange to the Indonesian State philosophy of *Pancasila* (seeking a harmonious balance between individual rights as expressed by article 27 paragraph 2 of our Constitution and national interests) which is, and should be, the basis or *Grundnorm* of all Indonesian law.

Therefore the research project on the state of contract law in Indonesia came to the conclusion that, in fact, a new national contract law is coming into existence, influenced by three forces, *viz.*

- (a) the principles of freedom of contract;

<sup>3</sup> Hartono, *Transnational Problems of Foreign Investment in Indonesia* (English Summary), Binacipta, Bandung, (1972) pp. 366-383.

<sup>4</sup> In fact the rules on property in the Civil Code are expressly repealed by the Basic Agrarian Law.

- (b) the ever increasing use of standard-form contracts;
- (c) the extensive use of contracts by the Government and its agencies in its relations with private persons or institutions.

As a result contract law in Indonesia today has become something quite different from the contract law we used to know before our Independence, although it is still taught in the law schools as if nothing has changed.

### *Some Basic Features of the Law of Contracts*

#### 1. *The written form*

For the sake of legal certainty many commercial contracts are made in written form, although in many cases a contract concluded orally would be equally valid. The written form seems to be preferred in order to prove the existence of the contract more exactly, and more or less as evidence of choice of law for the application of the Civil and Commercial Code, although some Adat rules have been inserted in the contract (as in the case of sale with the right to repurchase the goods sold).

The written contract may be made privately (by the parties concerned), usually witnessed by two or more persons, of which one witness usually is the head of the village or *rukun tetangga* (*campong*); or may be made by notarial deed.

In cases of the sale of land a deed made by a specially appointed officer (*Pejabat Pembuat Akte Tanah*) who is usually also a notary public, is required by law. But in such remote areas where there is no notary public the head of the village (called *Camat*) is appointed as *Pejabat Pembuat Akte Tanah* or P.P.A.T.

For newly introduced contracts, such as short term credits provided by the State Banks for farmers (*kredit Biman*) and small traders (*can dak kulak*) the government prescribes written forms to be signed by the borrower.

#### 2. *Classification of contracts*

2.1. Although the Civil Code does not classify contracts as commercial and non-commercial contracts,<sup>5</sup> perhaps under the influence of English or American law, we are now making this distinction. Commercial contracts are basically governed by the Civil and Commercial Codes (next to other regulations), while non-commercial contracts (such as marriage contracts and adoption) are not.

2.2. Another distinction is made between contracts concerning land and those not relating to land. This distinction cannot be found in the Civil Code but is made under the Basic Agrarian Law of 1960, which requires a contract under seal for the sale of land.

<sup>5</sup> The Civil Code (article 1314) only distinguishes contracts without consideration (*om niet*) and contracts with a consideration (*onder bezwarende titel*).

In fact there is some doubt whether the sale of a building or a house (apart from the land) should also be made in the same way as the sale of land, since the Basic Agrarian Law adheres to the principle of "horizontal separation" between land and whatever is on it.<sup>6</sup>

- 2.3. The difference between written and unwritten contracts have been outlined above. The applicable law of written contracts can be expressly or impliedly read from the contract, and the rules of the Civil Code are usually applied (except in contracts containing an Adat law element, in which case the rules are somewhat modified).

Unwritten contracts are usually governed by Adat law or Conflict of Law rules (interpersonal law) and are usually of minor importance, or concern the status of the parties.

- 2.4. The Civil Code distinguishes between "named" and "unnamed" contracts.<sup>7</sup> The "unnamed" contracts are those specially regulated in the Civil Code like the sale of goods, lease contracts, agency, a.o.
- 2.5. After 1945, and especially in the last ten years, new contracts have come to be known, such as the *Bimas kredit* (credit for farmers), *Jasa Raharja* (accident insurance), *Asuransi Kesehatan* (health insurance), *lisensi merk* (brand use), *lisensi patent* (patent licence), *kontrak karya* (contract of work), technical assistance contracts, a.o.

Those which have been introduced by the Government have their own special regulation, others are just left to the fancy of the contracting parties as long as rules of "*ordre public*" are taken into account.

- 2.6. Next, we can distinguish between internal contracts, which are solely governed by Indonesian law, and transnational contracts containing a foreign element.

In other legal systems those contracts containing a foreign element may be called private international law contracts, since the applicable law of these contracts may be determined by the application of the rules and principles of private international law.

But in Indonesia the relations between Indonesian and foreigners usually have a (public) international treaty as its basis, next to one or other administrative regulation. So that in order to ascertain the applicable law, one cannot consider the private international law rules only. Consequently I have named such contracts "transnational contracts", because in such contracts we have to consider the international law rules also, next to private international law and internal private — as well as public regulations. Although there may

<sup>6</sup> See also Darmawi, "Land Transactions under Indonesian Adat Law" in *Lawasia*, Vol. 3, Nos. 2 and 3, August-December 1972. Also Hornick, Indonesian Mortgage Law, *Lawasia*, Vol. 5 December 1974.

<sup>7</sup> See, *Business Law, Survey of Indonesian Economic Law*, Padjadjaran University, Faculty of Law (1973).

be other classifications of contracts, those mentioned above are the most important ones, which have developed in the 1970s.

### 3. *Basic principles of the law of contracts*

#### 3.1. *Freedom of contract*

The basic rule of the law of contract is laid down in article 1320 of the Civil Code, which states that the conclusion of a valid contract:

- a) should be based upon the free will of the parties;
- b) both parties should have the legal capacity to conclude a contract;
- c) the contract should concern a definite object or matter; and that
- d) the contract should have a legally valid “*causa*”

The principle of free will is generally adhered to in Indonesian law, although it has become somewhat limited by a number of laws and administrative regulations.

The extensive use of standard contracts also limits the freedom of the parties, although allowing sufficient freedom to the contracting parties, such as in the case of foreign investment and other transnational contracts, which require governmental permission for their enforcement.

In fact, much of the recent development of the law of contracts may be attributed to the ingenuity and freedom accorded to the parties in drawing up their contract.

- 3.2. Another important rule is article 1338 of the Civil Code, which states that: “For the contracting parties all validly contracts are to be regarded (have the same force) as legislation”. Therefore the contract is bound to be regarded as *lex specialis*. But in foreign investment contracts governmental permission (and not the contract as agreed between the parties *before* governmental permission has been obtained) is the most important document with regard to the rights and duties of the parties, as well as the government.<sup>8</sup>

- 3.3. Nevertheless, on the basis of article 1339, the contracting parties are not only bound to whatever has been expressly stipulated in the contract, but also to every obligation according to the nature of the contract, the principles of fairness, custom and legislation.

- 3.4. Moreover all contracts have to be executed in good faith (article 1338 Civil Code).

<sup>8</sup> Cf., Sumantoro, *Review on Indonesian Corporate Law*.

4. Due to the plurality of laws no general contract law has yet come into existence in Indonesia. Rather, we can speak of a law on contracts only; each classification of contracts having its own peculiarities, as in the English legal system.

#### *Transnational Contracts*

Since the enactment of the Foreign Investment Law we witnessed the appearance of a number of new contracts, such as:

- technical assistance contracts;
- management contracts;
- patent and trade-mark licenses;
- service contracts;
- a.o.,

while contracts already known before the Foreign Investment law, such as the sale of goods, loan contracts, production sharing and *kontrak karya* contracts, have been improved.

Because of the existence of international treaties with regard to economic cooperation and foreign investment, next to the administrative regulation of almost every kind of activity, not only pure private law but also conflict of laws are applicable to transnational contracts. But next to the four most important principles outlined above, each transnational contract has to be interpreted against the background of national and international public law.

Because of the influence of international law and foreign usage it has become increasingly difficult for the local (Indonesian) party to uphold his interest or even our national interest, especially because of his poor knowledge about the foreign law or international usage and his low economic bargaining position. Sadly enough, very often an Indonesian businessmen finds himself “squeezed” between administrative regulations on the one hand and the interests of his foreign partner on the other hand, who enjoys the backing of international law and international usage.

As most foreign investment contracts consist of a combination of a number of contracts, such as a contract of the sale of machinery or equipment, a technical assistance contract, a management contract and patent and trade mark licence, a foreign investment contract in fact contains a package deal to the advantage of the foreign investor, but to the detriment of the local partner.

Moreover, since foreign loans require the permission of the Government through a different procedure, loan contracts are not included in the foreign investment contracts. Therefore a foreign investor is able to secure the return of his credit, as well as of his investment. His risks are thereby pressed to a minimum, and only amount to his expected profits.

#### *Loans and Foreign Investment Contracts*

According to the Indonesian government’s policy a company might obtain foreign credit only by permission of the Minister of Finance. The credit is not paid in cash, but covers the price for the goods

sold and services rendered by the foreign investor to his Indonesian partner. Payment for the goods and services as well as the interest for the loan is done through a bank domiciled in the foreign investor's country and in his currency.

Through this arrangement of a separate contract of loan, but somehow connected with the foreign investment contract the foreign investment is in fact a disguised export-import contract, with the addition of:

- a) the securing of the sale for a definite period of time;
- b) the remission or reduction of import taxes and other levies;
- c) the securing and expansion of the marketing of the goods (raw material or equipment) for a definite period;
- d) the security of the repayment of the loan as well as its interest;
- e) the securing of a good profit by inserting an escalation clause for the sales price, amounting to a transfer to the importer of the goods of the increase of production costs, due to inflation and energy crisis.

#### *Patents and Trademark Licences*

Next to the advantages described above, in the field of manufacturing industries, the foreign investor has the benefit of royalties as long his products are being produced by the joint venture, next to the fact that although the marketing of his product in his own country has gone down, the life-cycle of his product is prolonged in the developing country, while all the risks of the industry are borne by the Indonesian company. Because the Indonesian company is legally responsible for:

- a) the production and sale of the product;
- b) the payment of the raw material and equipment;
- c) the payment of the loan rent as well as the royalties;
- d) taxes and other levies;

while the foreign investor is the lender, the seller of the equipment and the raw material, as well as the patent and/or trade mark licensor, the result is that in fact financially it is the Indonesian partner who is almost solely responsible for the greatest burden of the company, while the foreign investor gets away with all the advantages of the investment.<sup>9</sup> This is the reason, why after 10 years of experience, Indonesian businessmen have become quite cynical about the role foreign investment has played in accelerating the development of our national economy. Therefore, both the Government as well as businessmen have become aware of the importance of negotiation techniques and the role of lawyers, next to the necessity of improving our knowledge of comparative law and the enhancement of the skills of contract-drafting. This awareness is the reason why several economic legal research projects have been conducted<sup>10</sup> resulting in the development

<sup>9</sup> Another example of the abuse by foreigners of the loopholes existing in the Indonesian Law can be found in the *Tancho* case (see Appendix II).

<sup>10</sup> One of the first projects on Economic Law was the *Survey of Indonesian Economic Law* by the Padjadjaran Law School, under the auspices of the International Legal Center.

of the Clinical Legal Education Programme by the Padjadjaran Law School as a pilot project.<sup>11</sup>

One of Indonesia's main objectives in inducing foreign investment is that foreign investment may be a vehicle for the transfer of technology, skill and know-how from the developed countries to the developing countries. Therefore, not only machinery and equipment for production are bought, and the use of patents and other know-how have been contracted, but technical and managerial know-how have been hired on the basis of technical assistance contracts, in order that through close contact and cooperation Indonesians may learn the trade by doing and imitating.

It turned out, however, that quite often the technical assistants sent to Indonesia were no experts at all, or at least not equipped with the experience and requirements for work in a developing country, with a technical-social-cultural environment, totally different from an industrially developed country. Or if they are, they have developed such an antagonistic attitude towards local managers, officials or workers, that not much skill and know-how is transferred during their stay in Indonesia. Hence the technical assistants to be sent to a developing country should not only be expert technicians, but should have the ability to teach, to adapt their technical skill and the technical requirements to the developed country's technological environment, and be able to socially adapt themselves to the social-cultural environment where they are working. They should not take an authoritative attitude or an attitude of superiority towards their local co-workers, let alone towards their local superiors.

In the last 10 years many joint venture companies have not only complained about the bad condition of machinery and equipment sent, often consisting of irregular or unacceptable quality in the country of origin, but also of the unwillingness of foreign exports to teach their local counterparts their trade. The answer given to this sort of complaint is that everything has been executed according to the contract, agreed and signed by both parties. While this might be so, according to the wording of the contract, the fact that the foreign partner is always in a better bargaining position than the Indonesian partner should not be overlooked. Since at the time of contracting the one who really knows the requirements of the machinery and equipment for production is the foreign party only; and the local party has to rely on the good faith of the foreign partner, when making the master list (of which only the foreign party has any understanding) and agreeing on other technical details, known only by the foreign party. Such transnational contracts should therefore not be interpreted to the detriment of the local and also weaker party, as if he contracted, equipped with the same knowledge and thus on the same level as his foreign counterpart. Because if he were, no technical assistance contract nor a loan contract would have been necessary.

Instead, more stress and importance should be laid on the good faith of the foreign investor and the spirit and objective of foreign

<sup>11</sup> See my paper, "Legal Research, Legal Development and Legal Education in Indonesia." Also: Wiradibradja on "Legal Education for Development in Indonesia", Regional Institute of Higher Education & Development.

investment as a vehicle for the transfer of know-how, although of course profit-making considerations cannot be neglected.

But it seems that the foreign investors and industrial developed countries alike are too much driven by the motives of profit-making, as evidenced by the stipulation in the loan contracts, the technical assistance contracts, the management contracts, and the escalation clauses in sales contracts (and sometimes even in technical assistance contracts). Combined with the lack of knowledge of government officials and businessmen in the developing countries, the willingness to accept unnecessary stipulations, the foreign investors have been in a position to make quite good profit. So that in spite of the energy crisis the profits of the multinational cooperations have increased, due to the ability of the multinationals to transfer the burden of increasing production costs (of their machinery, equipment and raw materials) to their partners overseas, while enjoying import tax remissions and deduction of other levies, which would have been paid if the goods were imported through the ordinary procedures.

Hence, in order to obtain a fairer distribution of wealth between the nations in the world, we should recognize that contracts made between a party from an industrial country and another coming from a developing country, are different from those made between parties who are both used to the economic system of industrial developed countries.

Therefore, the norms and rules applicable to transnational contract law and interpretation of investment contracts in developing countries cannot be the same as those made in industrial countries. This difference, however, should not be seen as the unwillingness of the developing countries to abide by the law as is usually stated by the industrial countries,<sup>12</sup> but as a more realistic and fair attitude in coping with a situation of two (economically and technologically) unequal parties. Since it has always been a principle of law, that the weaker party should be protected against the abuses of the stronger party, it is fair to recognize this principle also in our investment law and the law on transnational contracts, whenever it concerns contracts between unequal parties.

If we recognize the state of interdependency between nations today, and the need for international cooperation in order to create a better and peaceful world for the future, this cooperation should not only result in the material improvement and the increase of the consumption needs of people in the developing countries (benefiting the economics of industrial countries and increasing the economic and political dependency of the developing nations to the industrial ones), but should first and foremost result in the promotion of good will, understanding and respect amongst the peoples, instead of increasing the feelings of hostility, greediness and animosity. As many ex-colonies have experienced in the past, many a country has lost its independence, first economically and than politically, after the conclusion of a number of international treaties and contracts with

<sup>12</sup> And is it not true that the existing principles of law have been formulated by the industrial countries, while the developing countries had to adhere to this law?

technologically and economically more advanced governments and traders.

Now, after having studied the economic cooperation and investment guarantee agreements concluded by the Indonesian government,<sup>13</sup> next to many investment contracts, I fear that the developing countries might again go through the same experience, after we have gained our hard-fought independence if lawyers all over the world do not care to prevent law (in particular international law and economic law) becoming the vehicle towards a new kind of oppression by people from one part of the world towards people from the other part, whatever may be the reason and under whatever name, whether economically, culturally or politically.

It is therefore that international workshops such as this one, are very important, in order that not only a new international economic order may be created, but at the same time a new and fairer set of international legal principles and international economic legal rules may be thought and worked out.

If we recognize law as a means towards Justice and Peace, then the main and most important task of lawyers all over the world should be to find a formulation of the law which will promote and enhance Justice between peoples of all nations, rather than find and abuse the many loopholes in the law for the benefit of egotistic motives and objectives of our clients.

Therefore not only should economists search for a new international economic order, or politicians for a just international political order, but we also as lawyers should earnestly seek and search for a better and just formulation of the law regulating the cooperation between nations and peoples throughout the world towards a more prosperous, peaceful and just international society. By doing so, it is hoped that lawyers are contributing their share for the attainment of prosperity and peace through law and justice.

SUNARYATI HARTONO \*

<sup>13</sup> See Appendix II of my paper on "Legal Research, Legal Development and Legal Education" (English summary of my doctorate thesis on Transnational Problems of Foreign Investments in Indonesia).

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## APPENDIX I

LAW No. 21 of 1961 concerning  
TRADE NAMES and TRADE MARKS\*

The President of the Republic of Indonesia *considering*: the importance to enact a law on tradenames and trademarks to protect the consumer against imitation of products bearing a particular trademark which are already known as a symbol of good quality; *bearing in mind*: article 5 paragraph (1) and article 20 paragraph (1) of the Constitution;

By consent of the Gotong Royong Parliament (House of Representatives)

## DECIDES

*to enact*:

*Law concerning tradenames and trademarks*

*Article 1*

The *Kantor Milik Perindustrian* (Office for Industrial Ownership) carries out the official registration and publication of tradenames and trademarks.

*Article 2*

(1) A special right to use a particular trademark to distinguish products of a certain company, individual or institution, from products of other company or institution, is given to those using that trademark for the first time in Indonesia.

This special right to use a trademark is only valid for products similar to products using that trademark, and its validity lasts up to three years after its recent use.

(2) Except where it can be proven to the contrary, anyone who first applies to register a particular trademark according to the provisions of articles 4 and 5 is considered as the first user of that trademark.

If in a period of six months after the registration as mentioned above, or after the registration provided for in paragraph (3) the trademark is not used by the applicant in Indonesia, the above consideration or as mentioned in paragraph (3) is not more valid.

(3) Anyone in accordance with articles 4 and 5 wishes to register a particular trademark at the *Kantor Milik Perindustrian* whereas the products bearing that trademark have been exhibited by the applicant at an official national exhibition, or an exhibition officially and nationally recognized in Indonesia; and if the application is submitted within a period of six months after the opening of the above mentioned exhibition, the applicant is considered to have used that trademark since the date of that exhibition.

As evidence of the date of the exhibition, the *Kantor Milik Perindustrian* may request the issuance of a statement officially certified by the Committee or, with the approval of the *Kantor Milik Perindustrian*, by other competent party.

\*Ed. The following text is the English translation, errors therein are indicated (*sic*) but not corrected.

## Article 3

(1) The registration of a trademark by more than one person or institution is permitted only if the persons or institutions together have the right, or agree to have together the right to the company producing or marketing the products using that trademark

(2) As evidence of this, the *Kantor Milik Perindustrian* may request for the issuance of an official copy of the certificate of agreement on this matter.

## Article 4

The application to register a trademark should be submitted to the *Kantor Milik Perindustrian* in duplicate, written in Bahasa Indonesia and accompanied with:

- a. a specimen of the products bearing that trademark, or in any case, information on the products;
- b. a negative (of the design) of that trademark;
- c. ten labels bearing that trademark;

(2) At the time of the submittance of the application, each trademark should be accompanied with:

- a. application fee ..... Rp. 300,—
- b. examination fee based on categories of products as included in the List of Categories of Products annexed to this Law, for each category of products..... Rp. 200,—
- c. registration fee ... .. Rp. 500,—

(3) If an application to register a trademark is rejected by the *Kantor Milik Perindustrian*, the registration fee mentioned in paragraph (2) shall be paid back. The application and examination fee shall not be given back.

(4) Further provisions regarding the letter of application, negative (of the design), label and the sum for examination fee for each trademark shall be determined by the *Kantor Milik Perindustrian*.

(5) The application to register a trademark can also be submitted by proxy, given (written) full-powers by the applicant.

## Article 5

(1) The registration of a trademark containing designs or words which is considered as a common use, or which is in contrary (*sic*) with public morality or public order, is prohibited and cannot be registered in the General List of the *Kantor Milik Perindustrian*.

(2) Furthermore, it is prohibited to register as trademark, designs which:

1. have no distinguishing features or which contain only number or letters, informations (*sic*) on type, time or place of manufacturing, quantity, form, purpose, measurement, price or weight;

2. contain or resemble a State's flag, coat of arms, symbols, names, abbreviation of international institution, or symbols of government institutions, except by consent of the authority;
3. resemble a seal of approval or a seal of official guarantee from a government institution, except by consent of the authority.

#### Article 6

If an application to register a trademark does not fulfill the necessary requirements provided by articles 4 and 5, the *Kantor Milik Perindustrian* will send a written notification to the applicant requesting him to fulfill the requirements or to withdraw his application within a period set by the *Kantor Milik Perindustrian*.

If within that period the applicant do (*sic*) not fulfill the requirements, or if he does not withdraw his application, his application will be rejected.

#### Article 7

(1) With the exceptions of the provisions of articles 6 and 9, the trademark whose application for registration is submitted according to articles 4 and 5 will be registered without delay by the *Kantor Milik Perindustrian* in the General List, along with the date and the registration number.

(2) A registration of a trademark enter (*sic*) into force on the date of its registration in the General List.

(3) Both application (the original and the duplicate) for registration of a trademark as provided by article 4, is affixed with a confirmation of registration along with its registration date and number as registered in the General List.

(4) A copy of the application is sent to the applicant, while the other copy is retained by the *Kantor Milik Perindustrian*.

#### Article 8

The *Kantor Milik Perindustrian* shall publish the designs as is indicated by article 4 in the Supplement to the State's Journal of the Republic of Indonesia, of each trademark registered and the products bearing the trademark along with the name and address of the applicant, and in the case where colour is used as a distinguishing feature of a particular trademark, the colourpaint on the design of that trademark should also be mentioned.

#### Article 9

(1) The *Kantor Milik Perindustrian* should reject the application for registration of a trademark, if that trademark whose application for registration is submitted according to articles 4 and 5 bears a basic or total similarity with a trademark already registered for a similar product by another person.

The *Kantor Milik Perindustrian* shall notify the applicant of its rejection and its ground for rejection without delay.

(2) The person whose application is rejected according to articles 6 or 9 paragraph (1), through a letter signed by himself or his proxy may request the District Court of Jakarta to order the registration of that trademark.

This request should be made within a period of three months after the date of the (notification of) the rejection.

#### *Article 10*

(1) If a trademark registered according to article 7, totally or basically similar to another person's trademark which according to article 2 has the right to use that trademark for similar products; or if that trademark uses the tradename of others, then that person, without failing his employing of other legal means, may submit an application signed by himself or his proxy, to the District Court of Jakarta to annul the registration of that trademark.

The application should be sent within a period of nine months after the publication provided by article 8.

(2) After the period mentioned in paragraph (1) the application for an annulment of a registration of a trademark can still be submitted if the right of the applicant can be proven by a court's decision with a legal binding power.

(3) If a registered trademark is in contrary (*sic*) with the provisions of article 5, nine months after its registration the public prosecutor may claim the District Court of Jakarta to have the registration annulled.

(4) The prosecutor may also claim the District Court to annul the registration of a trademark if the products bearing that trademark do not match with the specimen or informations (*sic*) given by the applicant in accordance with the provisions of article 4 paragraph (1a).

#### *Article 11*

The District Court's Clerk should notify the *Kantor Milik Perindustrian* without delay of every application indicated by article 9 or 10, and the prosecutor's claim as provided by article 10.

#### *Article 12*

There is no appeal (to a higher Court) for decisions given to the applications mentioned in article 9 or 10.

#### *Article 13*

(1) Anyone who does not reside within the territory of the Republic of Indonesia, submitting an application for a registration of a trademark, should choose a residence within the territory of the Republic of Indonesia and appoint a proxy to act on his behalf, in Indonesia.

(2) All correspondence will be sent to the chosen residence (address).

*Article 14*

(1) The Court's Clerk should notify the *Kantor Milik Perindustrian* of any decision given by the District Court of Jakarta.

(2) In conformity with the decision of the District Court of Jakarta, after it has a legal binding power, the *Kantor Milik Perindustrian* shall register the trademark according to the provisions of paragraph (3), or it will be noted down as annulled on the respective column provided for it by the General List where the trademark is registered.

(3) The trademark will be registered by the *Kantor Milik Perindustrian* after the registration fee provided by article 4 paragraph (2c) is paid by the applicant.

If in a period of three months after the District Court's decision has the legal binding power, the registration fee has not been paid, the application to register that trademark is considered withdrawn.

*Article 15*

A copy of the decisions mentioned in article 14 and of all the civil and criminal court's decisions regarding trademarks should be sent to the *Kantor Milik Perindustrian* by the Court's Clerk.

*Article 16*

(1) Under the initiative of the *Kantor Milik Perindustrian* a publication is made in regard to:

- a. the declaration of annulment regarding a registration of a particular trademark which has been published in accordance with the provisions of article 8;
- b. the revokement (*sic*) of the legal binding power of a registration of a trademark by reasons mentioned in article 18;
- c. the transfer of right to a trademark registered according to the provisions of article 7 and noted down according to article 20.

(2) Publications for matters provided by this article should be through the Supplement to the State's Journal of the Republic of Indonesia.

*Article 17*

(1) The General List mentioned in article 7 can be exhibited to the public free of charge, at the *Kantor Milik Perindustrian*.

(2) For a price fixed by the *Kantor Milik Perindustrian* anyone can obtain a copy of the General List.

(3) At the price of Rp. 30,— anyone may obtain a written information regarding the General List. If for this information a further examination is needed, then there is a charge of Rp. 300,—.

## Article 18

(1) The legal binding power of a registration of a trademark is regarded null, and void by:

- a. the abolishment (*sic*) of an application by a person whose name is registered as the holder of a registration of a trademark;
- b. the confession of the holder of a registration of a trademark or a judge's declaration that six months after the registration it has not been used by the holder (of a registration of a trademark);
- c. the confession of the holder of a registration of a trademark or the declaration of a judge that the trademark has not been used by the holder for a period of three years;
- d. the termination of the period of ten years after the date of the registration of the trademark according to article 7, if the registration is not being renewed before that period ends, or if that renewal is not being repeated at the same period of time;
- e. the declaration of annulment by a Court's decision.

(2) The abolishment (*sic*) of a legal binding power of a registration of a trademark due to reasons mentioned in paragraph (1) will be noted down along with its reasons in the respective column provided for it in the General List.

## Article 19

(1) The registration of a trademark according to article 7 will be renewed, if the rightful person (to the registered trademark) before the termination of the period determined by article 18 paragraph (1d) has fulfilled the requirements of article 4 and is not in contrary with article 5.

(2) If the *Kantor Milik Perindustrian* does not object to a renewal of a registered trademark the application for renewal will be given a confirmation along with the date and renewal number of the registered trademark.

(3) The renewal of a registration of a trademark is carried out by the *Kantor Milik Perindustrian* by filling in the number and date on the respective columns provided for it in the General List where it is registered.

(4) A renewal of a registration of a trademark enter into force on the date of the registration of the renewal in the General List as provided by paragraph (2).

(5) After the renewal of a registration of a registered trademark according to article 7, one copy of the application mentioned in paragraph (2) of this article should be given back to the applicant as soon as possible.

(6) The provisions of article 8 is effective for matters concerning the renewal of a registration of a trademark.

(7) The *Kantor Milik Perindustrian* may reject a renewal if the trademark is in contrary with the provisions of article 5 whereas the provisions of article 6 will be valid; hence article 9 paragraph (2), article 11 and other relevant articles of this law is valid on this matter.

*Article 20*

(1) If the transfer of right to a registration of a trademark registered according to article 7 to another person, is only permitted, provided that the right to the company producing or marketing the products using that trademark has also been, partly or totally, transferred.

(2) As evidence pertaining to paragraph (1), a copy of the transfer act is submitted to the *Kantor Milik Perindustrian*.

(3) The transfer of right will be registered in the registration of the trademark, upon a written request from both parties, or only from the party acquiring the right, if the transfer of right to the trademark can be proved by the copy of the transfer act mentioned in paragraph (2) of this article.

(4) As registration fee for the transfer of right to a trademark according to article 7, an amount of Rp. 450,— has to be paid on submitting the application.

*Article 21*

The alteration of name or address of the person whose name is registered as the holder of a registration of a trademark, upon a written request by that person shall be registered free of charge.

*Article 22*

This law is not valid for trademarks provided by the Government.

*Article 23*

On the date this law enters into force, other regulations regulating the same subject are considered invalid.

*Article 24*

This law shall be called as "Trademark Law of 1961" and enter into force one month after it is announced.

To make it publicly known, it is ordered to have this Law published on the State's Journal of the Republic of Indonesia.

Confirmed in Jakarta  
on this 11th day of October 1961  
THE PRESIDENT OF THE REPUBLIC OF INDONESIA  
signed  
SUKARNO

Enter into force in Jakarta on this 11th day of October 1961  
THE STATE'S SECRETARY  
signed  
MOHD. ICHSAN

## APPENDIX II

## JUDGMENT OF THE SUPREME COURT

Case Registered under No. 677 K/Sip/1972

1. The term “the first user in Indonesia” in the Trademark Law of 1961 shall be interpreted to mean “the first user in Indonesia who is in good faith (bonafide)”, in accordance with the legal principle that protection shall be accorded to a person in good faith and not to a person in bad faith:
2. The question whether there is a similarity on the whole or in principle between the trademarks which are under litigation is a legal question amenable to cassation.

PRO JUSTITIA BY THE GRACE OF GOD ALMIGHTY

THE SUPREME COURT:

passing judgment at the instance of cassation has adopted the following decision in the case of:

P.T. TANCHO INDONESIA CO. LTD., domiciled in Jalan Maluku No. 4-6, Jakarta, being represented by their Directors:

1. Sutan Usman Surjadi,
2. Wilson S. Sutan,
3. Norimoto Anagiri, plaintiff for cassation formerly plaintiff in court of first instance and/or defendant in appellate court and defendant in court of first instance and/or plaintiff in appellate court,

vs.

WING A KIONG (Ong Sutrisno), calling himself Director of the Firm Tokyo Osaka Company on Jalan Kebun Jeruk II/42 Jakarta, defendant in cassation, formerly defendant in court of first instance/plaintiff in appellate court and plaintiff in court of first instance/defendant in appellate court;

The Supreme Court referred to;

Having seen the documents involved;

Consider that it is evident from the documents referred to:

whereas plaintiff in cassation/previously original plaintiff in the case which was registered with the Central Jakarta District Court under No. 521/1971-G, has filed suit against defendant in court of first instance/previously original defendant before the Central Jakarta District Court in principle on the basis of the contentions:

whereas Tancho Kabushiki Kaisha (Tancho Co. Ltd.), domiciled in Osaka, Japan, is the owner and user of the trademark “Tancho” consisting of two kanji characters and the figure of a flying crane within a circle for cosmetics which has been registered since the year 1961 in the Philippines, Singapore and Hongkong and since the year

1961 these cosmetics have been known in Indonesia owing to several businessmen in Indonesia having imported them; whereas with a view to the promotion of its trade in Indonesia Tancho Ltd. referred to has entered into a joint venture with N.V. The City Factory in Jakarta so that "P.T. Tancho Indonesia Co. Ltd." (the original plaintiff) was established with the approval and permission of the President, a factory which has been in production since April 16, 1971 by using the trademark "Tancho"; whereas by written request dated November 16, 1970 No. 055/Tancho/II/71 original plaintiff submitted a request to register their trademark with the Directorate of Patents, however this request having been rejected orally, owing to the original defendant having registered the trademark at an earlier date (since the year 1965); whereas by virtue of the provisions of article 4a paragraphs 1 and 2 juncto article 4c paragraphs 1 and 2 of the Union of Paris of the year 1934 on the protection of industrial property original plaintiff as the representative of Tancho Co. Ltd. in Indonesia have obtained priority as first user; whereas the action of the original defendant referred to constitutes unfair competition in commerce and an unlawful act, consequently has been detrimental to the interests of the first plaintiff; whereas by virtue of the above-mentioned the original plaintiff submitted that the Central Jakarta District Court shall adopt the following decisions:

1. To declare as lawful that plaintiff is the first proprietor and user in Indonesia of the tradename/trademark Tancho and consequently it is the one and only who is entitled to use the tradename/trademark referred to in Indonesia;
2. To declare as lawful that plaintiff's trademark "Tancho" in principle is similar with the trademark and property as used by the defendant and registered under No. 82735, 82883, 82021, 81492, 83965, 85203, 86275, 86276, 86281, 86403, 86669, 86672 with the Directorate of Patent Affairs, Department of Justice in Jakarta;
3. To repeal, at least to declare null and void the registration of the trademark in the name of the defendant referred to, namely:
  - a. Trademark No. 82735 on 9-3-1966.
  - b. Trademark No. 82883 on 6-4-1966.
  - c. Trademark No. 82021 on 2-11-1965.
  - d. Trademark No. 81492 on 23-1-1967.
  - e. Trademark No. 83965 on 31-10-1966.
  - f. Trademark No. 85203 on 17-4-1967.
  - g. Trademark No. 86275 on 29-8-1967.
  - h. Trademark No. 86276 on 29-8-1967.
  - i. Trademark No. 86281 on 29-8-1967.
  - j. Trademark No. 86403 on 9-9-1967.
  - k. Trademark No. 86669 on 9-10-1967.
  - l. Trademark No. 86672 on 9-10-1967.

and to forward such decisions to the Directorate of Patent Affairs (Trademark Division of Justice Department in Jakarta);

4. To sentence the defendant to pay all costs connected with the case: whereas the original defendant has submitted an exception declaring that the Central Jakarta District Court has no jurisdiction with respect to abovementioned claim due to:
  - a. the original defendant's domicile not being located within the jurisdiction of the Central Jakarta District Court;
  - b. the case having been tried by a single judge;by virtue of the abovementioned the original defendant has filed suit to the Central Jakarta District Court as court of first instance:

WITH RESPECT TO THE EXCEPTION:

To declare itself to be without jurisdiction and to decide the case and to decide the case with respect to the essential matter of the case:

1. To reject, at least to declare the request of P.T. Tancho Indonesia Co. Ltd. incapable of being accepted;
2. To sentence requestant to pay the costs of litigation;

Considering subsequently that the original defendant has submitted a claim in appellate court which basically declares that the original defendant has used the trademark referred to since 1949 and which has been registered officially; that the party who is entitled to the property of the Tancho trademark in the Philippines, Singapore, Hongkong is Tancho Co. Ltd. (Tancho Kabushiki Kaisha), domiciled in Osaka, Japan is not the original plaintiff, as the original plaintiff has no title at all on the trademark either in Indonesia or abroad;

whereas in the month of April 1969 a representative of Tancho Co. Ltd. Japan arrived (namely one of the persons who at the present time is Director of the P.T.) to buy the title from the original defendant on the Tancho trademark that has been registered in the name of the original defendant, however the original defendant having declined the offer; whereas the original plaintiff has failed in registering the Tancho trademark referred to in its name, nevertheless has continued to manufacture the commodities referred to which is unlawful with respect to the original defendant; whereas by virtue of the matter filed in appellate court, the original defendant has filed suit with the Central Jakarta District Court to pass judgment provisionally and in essential of the case as follows:

IN APPELLATE COURT:

Provisionally:

To decide (by a decision which is capable of immediate execution regardless of appeal or protest) and order P.T. Tancho Co. Ltd., pending the decision on the essentials of the present case to forthwith, namely within a period of 2X24 (twenty-four hours) after pronouncement of the present decision:

- a. to discontinue all its activities in Indonesia without any exception the manufacture, having in stock and marketing of cosmetics of the same kind as manufactured by WONG and which is protected

by the company mark/trademark "Tancho", "Tan Ting", Flying Crane within a circle as has been registered by WONG with the Office of Industrial Property of the Directorate of Patents of the Justice Department of the Republic of Indonesia *inter alia* under the numbers: 82735, 82883, 82021, 81492, 83965, 85203, 86275, 86276, 86281, 86403, 86669 and 86672;

- b. to sentence abovementioned limited liability company to make to WONG in the office of his representative compulsory payments amounting to Rp. 1,000,000/- (one million rupiahs) for every day he does not observe or is delinquent in the execution of this decision;

#### IN ESSENTIALIA:

- I. To order the execution of a conservancy attachment on the factory which is the property of P.T. Tancho Indonesia Co. Ltd. on Jalan Jos. Soedarso on the Jakarta Bypass and all its contents and all the movable goods of the P.T. referred to which are inside or above the premises of its office on Jalan Maluku No. 4-6, Jakarta, including all motorized vehicles for and up to the amount of the complaint for damages referred to as follows;

- II. To declare as lawful and valuable such conservancy attachment;

By a decision which is capable of provisional execution notwithstanding appeal or protest has the pleasure to decide:

1. To declare that P.T. Tancho Indonesia Co. Ltd. has committed an unlawful act vis-a-vis WONG A KIONG;
2. To sentence P.T. Tancho Indonesia Co. Ltd. to forthwith, namely within a period of 7 (seven) days after the present decision having been pronounced or notified to them, to pay WONG A KIONG at the address of his representative's office, damages amounting to Rp. 100,000,000/- (one hundred million rupiahs) with an interest rate of 1% (one percentage) monthly in full according to a list of damages to be submitted subsequently;
- 2a. To sentence P.T. Tancho Co. Ltd. domiciled in Jakarta including all their branches in Indonesia after the present decision having been pronounced or notified to them, to discontinue forthwith the use on all wrappers in any form whatsoever and on all company mark and trademark labels "Tancho", "Tan Ting" in Chinese or Kanji characters and the figure of a Flying Crane within a circle for all cosmetics including pomade, hair oil, tooth paste, medicinal soap and so forth which has been registered by said WONG;
- 2b. To sentence P.T. Tancho Indonesia Co. Ltd. within a period of 7 (seven) days after the present decision having been pronounced or notified to them to remove and to delete from circulation in the stores or markets in Indonesia all their products which are of the same kind as WONG's products using the trademark "Tancho", "Tan Ting" (in Chinese or Kanji characters) and the figure of a Flying Crane within a circle;
- 2c. To sentence the P.T. under reference to pay to WONG A KIONG at the address of his representative's office a fine amounting to Rp. 100,000/- (one hundred thousand rupiahs) per day every time

P.T. Tancho Indonesia Co. Ltd. does not observe the present decision;

3. To sentence the P.T. under reference to pay all costs of the present litigation;

Considering that the defendant in cassation in the case which has been registered also with the Central Jakarta District Court under No. 53/1972G. has filed a suit against the plaintiff in cassation, previously the original defendant based in principle upon the contentions:

whereas the original plaintiff is a firm established in Jakarta on June 21, 1966 by Deed No. 35 by the name of "Firma Tancho Tokyo Osaka Company" abbreviated "Tancho Tokyo Osaka Co." and is engaged in an industrial enterprise especially in cosmetics that has received a business permit from the Metropolitan Jakarta Administration in the name of Tancho Tokyo Osaka Company; whereas it has been revealed now that the original defendant has established a joint venture in Indonesia by using the name of "P.T. Tancho Indonesia Co. Ltd." by operating a cosmetics factory that is marketing products in Indonesia in packages with the trademark "Tancho"; whereas by a letter dated October 20, 1971 No. T.7.8./305/X/71 the original plaintiff reminded the original defendant to discontinue using the business name and trademark "Tancho", however with no avail; whereas the original defendant's business being supported by a large amount of capital by its counterpart, such state of affairs being capable of inflicting extensive damages to the original plaintiff, as a consequence whereof the original plaintiff has requested that the court sessions be accelerated (sic) by passing a provisional judgment and has filed a suit requesting the Central Jakarta District Court to pass a judgment capable of provisional execution as follows:

Provisionally:

- I. To decide and pending decision on the case in essentialia to enjoin upon the defendant, P.T. Tancho Indonesia Co. Ltd., domiciled in Jakarta, on Jalan Maluku No. 4-6, forthwith namely within 2X24 hours after the present judgment having been pronounced or notified to the defendant to refrain from using the business name "Tancho" as a business and factory name and to discontinue using the name "Tancho" for all their operations and for all their properties without any exception whatsoever;
- II. To sentence the defendant P.T. Tancho Co. Ltd. under reference to make to plaintiff at the office of his representative compulsory payment amounting Rp. 1,000,000/- (one million rupiahs) for every day and every time the defendant is delinquent with respect to or does not observe the present decision:

In essentialia:

- I. To decide and to declare that plaintiff, the Firm Tancho Tokyo Osaka Company is the one and only party within the territory of Indonesia who has the right to use the name "TANCHO" as a tradename;
- II. To sentence the defendant and all their branches or their representatives to delete the name "TANCHO" from their trade-

name and to discontinue using the name "TANCHO" in all business operations in Indonesia and on all their property without exception whatsoever, namely within the period of 2X24 hours after the present decision having been pronounced or notified to them;

- III. To sentence and to order defendant to publicize the entire dictum of the present decision in at least three large newspapers in Metropolitan Jakarta;
- IV. To sentence defendant to pay to plaintiff at the office of his representative a fine amounting to Rp. 10,000,000/- (ten million rupiahs) for every day and every time defendant does not observe the present decision;
- V. To sentence defendant to pay damages amounting to Rp. 100,000,000/- (one hundred million rupiahs) according to a list of specifications submitted to the Court or according to the sense of justice and wisdom of the Court to plaintiff at the office of his representative, namely within a period of 7 (seven) days after the present decision having been pronounced or notified to them;
- VI. To sentence defendant to pay all costs of litigation;

Considering whereas the Central Jakarta District Court after having adopted a decision in case No. 53/1972G. on March 30, 1972 of which the dictum reads as follows:

To join the case under registration No. 53/1972G. referred to with the case under registration No. 521/1971G. which is at present at the stage of being examined;

To determine that the two cases which have been joined shall be submitted again jointly to the session of the Central Jakarta District Court on Thursday, April 6, 1972, at 09.00 A.M.;

To suspend decision concerning the costs of litigation until the final decision;

Has adopted a decision in the joint cases under registration No. 521/1971G. and registration No. 53/1972G. on July 6, 1972 in which plaintiff in cassation has been referred to as plaintiff and defendant in cassation as defendant whose dictum reads as follows:

**IN COURT OF FIRST INSTANCE UNDER REGISTRATION NO. 521/1971G. AND UNDER REGISTRATION NO. 53/1972G. IN APPELLATE COURT.**

Dismiss the suits in court of first instance and in appellate court in both cases referred to;

**IN APPELLATE COURT UNDER REGISTRATION NO. 521/1971G. AND IN COURT OF FIRST INSTANCE UNDER REGISTRATION NO. 53/1973G.**

To partially allow the suits referred to;

To declare that the Firm Tancho Tokyo Osaka Company is the one and only party who has the right within the territory of Indonesia of using the Tancho name and trademark as a tradename;

To declare that defendant has committed an unlawful act vis-a-vis plaintiff;

To sentence defendant to pay forthwith as compensation for damages the amount of Rp. 5,000,000/- (five million rupiahs) to plaintiff to be paid by him within a period of 7 days after the present judgment has become final;

To sentence defendant to pay "coercive money" to plaintiff for every day it is delinquent in observing the judgment referred to the amount of Rp. 50.000/- (fifty thousand rupiahs);

To declare that this judgment may be executed "beforehand" especially with respect to the order to discontinue the circulation and use of the Tancho Tan Ting trademark/tradename as referred to earlier and the "coercive money" concerned notwithstanding protest or appeal or cassation;

To reject all residual claims;

Considering that with respect to the decisions of the Central Jakarta District Court plaintiff in cassation has submitted a request for a cassation examination through its special attorney orally on July 27, 1972 as revealed in the affidavit No. 81/72/Kas/521/71G and No. 53/1972G that was issued by the Registrar Division of Cassation Appeal of the Central Jakarta District Court which request subsequently has been followed by a memorandum setting out the reasons thereof which was received by the District Court's Registrar on August 10, 1972;

whereas subsequently by defendant in cassation who has been notified of the cassation request from the plaintiff in cassation has been submitted a cassation memorandum in reply which was received at the Jakarta Pusat District Court's Registrar on August 23, 1972;

Considering beforehand notwithstanding the Act on the Supreme Court of Indonesia having been repealed by virtue of article 70 of Act No. 13 of the year 1963 came into force in July 6, 1965. however due to the fact that Chapter IV of the Act referred to only regulated the position, composition and jurisdiction of the Supreme Court, as well as the fact that the Act regulating further the cassation procedure in compliance to article 49 paragraph (4) of the Act referred to is non-existent, the Supreme Court is of the opinion that Article 70 of the Act referred to shall be so interpreted as to mean that which was repealed was not the Act of the Supreme Court of Indonesia in its entirety, but especially those parts relating to the position, composition and jurisdiction of the Supreme Court, as a consequence of which the portions relating to the cassation procedure of the Supreme Court have to apply the provisions in the Act on the Supreme Court of Indonesia as referred to;

Considering, whereas the cassation request a quo together with the reasons thereof having been duly notified to the adversary, has

been submitted within the period of time and according to the procedure provided by law, for these reasons is acceptable;

Considering that the objections submitted by the defendant in cassation in his memorandum of cassation referred to are in principle as follows:

1. whereas the Central Jakarta District Court in a decision a quo has joined case No. 521/1971G with case registered under No. 53/1972G which is in contravention with the law on procedure in force as the case No. 521/1971G is a case concerning the right on trademark whose procedure is governed by Act No. 21 of the year 1961 articles 10 and 12 which has a special character (*ius specialis*) as in this case no appeal but straight cassation is allowed, while in the case in appellate court No. 521/1971G and the suit in court of first instance No. 53/1971G the substance concerns an unlawful act and a claim for damages whose procedure has a general character as appeal is followed;

2. whereas in the decision a quo after the two cases have been joined has been revealed afterwards that the case under registration No. 53/1972G has been converted into a suit in appellate court which is in contravention with article 1320 R.I.D. as the case under registration No. 53/1972G as well as the case in appellate court under registration No. 521/1971G should await the judgment of case No. 521/1971G;

3. whereas the request that a laboratory examination be carried out to determine whether the documentary evidence (T.1, T.2, T.3) submitted by defendant in cassation is counterfeit or not is very much relevant as it would establish who is the first user;

4. whereas the plaintiff in cassation (P.T. Tancho Indonesia Co. Ltd.) is essentially none other than *Tancho Kabushiki Kaisha* (the Japanese Tancho Co. Ltd.) who has been in operation in Indonesia for a long time, with the trademark Tancho in the Indonesian market at least is an Adjunct or an integral part of *Tancho Kabushiki Kaisha* (the Japanese Tancho Co. Ltd.);

5. whereas the Joint Venture with N.V. City Factory is only a formal juridical form with a view to fulfilling the formal requirements determined by the Act on Foreign Investment No. 1 of the year 1967 consequently having the same title on the Tancho trademark since the plaintiff in cassation cannot be separated from *Tancho Kabushiki Kaisha* (the Japanese Tancho Co. Ltd.) in claiming to have the title as first user of the Tancho trademark in Indonesia;

6. whereas the use of the Tancho trademark by the defendant in cassation has been carried out in a manner confusing and detrimental to the interests of the Indonesian public, as the phrase "Firma Tancho Tokyo Osaka Company" applied to the defendant's products in cassation has given rise to the impression that such products are of genuine Japanese manufacture, as a consequence whereof the defendant in cassation has been found guilty and sentenced to two months' imprisonment by a verdict of the Jakarta Special District Court in criminal case No. 2145/Pid/1966 (document P.12) for having committed the felony of swindle (article 378 Penal Code) for having used the counterfeit Tancho trademark as a consequence whereof especially the

traders and consumers who as witness in the case referred to felt that they were swindled as they thought the products of defendant in cassation are of genuine Japanese manufacture;

7. whereas the *a priori* opinion of the district court that a trademark being well known abroad and registered in several countries although in circulation in Indonesia, is not being protected by Indonesian law is not correct at all, as in the question of the first user of a trademark in Indonesia according to Act No. 21 of the year 1961 no mention is made of the necessity to register a trademark, but reference has been made only to the legal protection accord once it has been registered;

8. whereas by virtue of the Round Table Convention all existing rights and obligations and are binding to the former Netherlands East Indies Government, while the transfer/restoration of Sovereignty to the State of the Republic of Indonesia naturally was based upon the continuity principle, all rights and obligations referred to devolved upon and are binding to the Indonesian Government, consequently there was no need to sign or ratify the Union of Paris of the year 1934 on the part of the Republic of Indonesia as it has been automatically in force;

9. whereas assuming *quod non*, the Union of Paris of the year 1934 is not in force in Indonesia however the plaintiff in cassation if of the opinion that the development of the Indonesian Nation who has placed foreign aid including foreign capital investment as in the case with *Tancho Kabushiki Kaisha* at a very important place, then the position of the Republic of Indonesia as a country receiving aid *inter alia* from Japan, should also respect the rights whereby the interests of Foreign Countries within the territory of the Republic of Indonesia, in *casu* the *Tancho* trademark which has been recognized by the Government of the Republic of Indonesia by granting of foreign investment Act No. 1 of the year 1967;

Considering, whereas the objections referred to are acceptable and agreed upon as follows:

A. With respect to objections at 1 and 2, namely those addressed to the formal viewpoint of the examination of the case:

whereas the Court in this case has effected a “joint” not in the sense as has been developed by case law whereby a joining is possible of claims from one party, but what the Court in first instance has carried out is:

....  
....

whereas conversely with respect to the decision of the district court in a suit by virtue of article 1365 of the Civil Code (as for instance *inter alia* included in the suit in case No. 53/1972G) may be submitted a request for an appeal examination while it is possible to submit this suit after the suit concerning the trademark has resulted in a decision that has become final;

Considering whereas owing to something that has been carried out by the Court in first instance from the viewpoint of formal examination of the case an error has been committed in the implementation of the

law the decision of the Central Jakarta District Court dated March 30, 1972 No. 53/1972G that has joined case No. 53/1972G into case No. 521/1971G referred to shall be nullified;

B. With respect to the objections at 3 through 9 as addressed to the examination of the substance of the case:

whereas the objective of Act No. 21 of the year 1961 (Act on business mark and trade mark or abbreviated Trademark Act) is to protect the general public against commodities bearing a trademark it already knows as being trademark of commodities of good quality which objective is to be achieved is to regulate trade ethics;

whereas according to the system of the Trademark Act, the registration of a trademark only accord to the person or corporation whose trademark has been registered the right to be regarded as the first user of the trademark conceived in Indonesia, until any other party has submitted evidence to the contrary;

Considering whereas the intention of the plaintiff in cassation with the suit (request) in case No. 521/1971G referred to is: to have nullified the registration of the trademarks used by defendant in cassation/original defendant, on the ground that notwithstanding the defendant in cassation/original defendant having registered in trademarks referred to with the Office of Industrial Property, the plaintiff in cassation is the first user of the trademarks referred to in Indonesia prior to those trademarks having been registered by the defendant in cassation, as a consequence whereof the trademarks registered have become counterfeits of the trademarks owned by the plaintiff in cassation;

Considering whereas consequently in case No. 521/1971G the litigation revolves around the question: according to law/Act who constitutes *the first user* of the trademarks in litigation in Indonesia;

Considering whereas notwithstanding it has not been contested by the defendant in cassation/original defendant that the plaintiff in cassation in the years 1962, 1963, 1964 has already used the trademarks in litigation in Indonesia, as the plaintiff in cassation has revealed by evidences submitted to the court, however the Central Jakarta District Court has decided that it is not the plaintiff in cassation, but the defendant in cassation/original defendant who has been deemed to be the first user of the trademarks referred to in Indonesia and consequently has dismissed the suit of the plaintiff in cassation/original plaintiff;

Considering whereas the Central Jakarta District Court in principle has based its decision upon the following considerations:

- a. "whereas the Tancho trademark that has been registered in the three countries referred to (namely: the Philippines, Singapore, Hongkong) has been written in the name of Tancho Kabushiki Kaisha (Tancho Co. Ltd.) and not the present plaintiff, consequently the plaintiff in presenting their position as first user based upon the existence of registration in the three countries aforementioned is unjustifiable";

- b. “whereas the plaintiff constituting a new body, established only in the year 1969, notwithstanding the plaintiff constituting two corporations, namely the Japanese Tancho Co. Ltd. and N.V. The City Factory in Jakarta, the plaintiff cannot and will not be able as such a new body consider themselves as proprietor and first user of the Tancho trademark in Indonesia which is at the present time registered in Indonesia with the Directorate of Patents in the name of the defendant prior to the establishment of the plaintiff”;
- c. “whereas P.T. Tancho Co. Ltd. in protecting their title on the trademark concerned notwithstanding their domicile in Japan, have endeavoured to register their trademark in several countries, *inter alia* in the Philippines, Hongkong and Singapore, however in Indonesia they have not acted accordingly, although according to exhibit items P.4 through P.10 their products have been imported into Indonesia”;
- d. “whereas such an attitude renders it impossible to have a trademark which has been registered outside Indonesia protected within the territory of Indonesia, in case the title or name referred to subsequently has been registered by another person in Indonesia such as has been the case with the Tancho trademark which has now been registered in the name of the defendant since the year 1965, for is it not time also that there is a law regulating trademark questions as provided in Act No. 21 of the year 1961”;
- e. “whereas consequently the aforementioned exhibits used by the plaintiff with a view to strengthening their position as first user/proprietor in Indonesia of the trademark in litigation is unjustifiable”.

Considering whereas the considerations of the first Court is elucidated above and used to dismiss the suit (request) of the plaintiff in cassation/original plaintiff, although lying outside the litigation that *Tancho Kabushiki Kaisha* (Tancho Co. Ltd.) in the years 1962, 1963 and 1964 had already imported their products with the trademarks in litigation into the territory of Indonesia, are unjustifiable by the Supreme Court, as they are in contravention with the sense of the trademark Act of the year 1961;

Considering whereas the considerations sub a and sub b are unjustifiable as they are by virtue of an agreement between *Tancho Kabushiki Kaisha* (Tancho Co. Ltd.) and N.V. City Factory Jakarta by deed of notary public Abdul Latif No. 14 dated November 5, 1969 was established P.T. Tancho Indonesia Co. Ltd. in the form of a Joint Venture in compliance with Act No. 1 of the year 1967 on Foreign Investment, was agreed upon to jointly carry out a business as a factory for the manufacture, packaging and marketing of cosmetics and so forth, which fact also carried the meaning of jointly using the Tancho trademark;

whereas the Trademark Act allows the joint property of a trademark;

whereas for these reasons the plaintiff in cassation/original plaintiff is also allowed to use, defend and fight for the Tancho trademark in Indonesia, which rights have been obtained by virtue of the transfer of the personal title of Tancho Co. Ltd. themselves as provided in aforementioned agreement;

Considering whereas the considerations in sub d and sub c of the decision of the Court referred to is unjustifiable, as the registration of a trademark as elucidated above, does not constitute a prerequisite for the granting of protection to the proprietor of a trademark;

whereas the law accords protection to the first user in Indonesia although he is not registered;

Considering whereas as far as can be read from the decision of the first Court together with the proceedings of the sessions, the course of the examination by the said Court at the stage of substantiating the respective contentions, a phase was reached whereby the plaintiff in cassation/original plaintiff has succeeded in substantiating their contention that prior to the registration of the trademark in litigation by the defendant in cassation/original defendant, has been using the trademarks in litigation for cosmetics referred to within the territory of Indonesia;

whereas insofar as can be read from the decision of the first Court, the substantiation achieved by the plaintiff in cassation/original plaintiff has never been invalidated by a counter substantiation on the part of the defendant in cassation/original defendant, while was it not the very same Court who declared that an expert examination about the authenticity of the documentary evidence which by the defendant in cassation/original defendant has been designed as a counter evidence and whose authenticity was doubted by the plaintiff in cassation/original plaintiff was not relevant;

whereas actually, apart from the question whether the documentary evidence referred to (*inter alia* the evidence exhibits T.1 and T.5), these documentary exhibits are not capable of substantiating the existence of identical trademarks or similar with the trademarks in litigation at the present time;

Considering whereas notwithstanding its apparent being external to the litigation between both parties that there is a similarity between the trademarks registered by the defendant in cassation/original defendant and the trademarks which are contended to be the property of the plaintiff in cassation/original plaintiff, the Court should have considered this matter, the questions of the first user having arisen owing to the existence of such similarity;

whereas such consideration is not to be found in the decision of the first Court;

whereas the question whether there is or there is not such similarity on the whole or in substance is a legal question amenable to cassation;

Considering whereas according to the opinion of the Supreme Court between the trademarks at the present time used and registered by the defendant in cassation/original defendant on the one hand and the trademarks which by the plaintiff in cassation/original plaintiff have been substantiated as their property and used by them earlier within the territory of Indonesia, there is a similarity in its entirety;

Considering once again about business ethics which the Trade-mark Act intends to regulate as elucidated above, that a Court always should have in mind:

1. the objective of the Act that the general public should be protected against imitation commodities which are using trademark that are wellknown as trademarks of commodities of good quality;
2. the tendency traditionally present within the Indonesian community to regard commodities of foreign manufacture to be of better quality and the existence of attempts that desire to avail themselves of this opportunity to imitate foreign trademarks which are not registered in Indonesia;

whereas by virtue of the aforementioned the Court should adopt a stern position towards all kinds of attempts which are not *bona fide* in order to imitate someone else's trademarks, domestically as well as foreign;

whereas in the present case the non-bona fide intention to imitate someone else's property is quite apparent as in addition to both trademarks having a similarity on the whole, in the trademark of the defendant in cassation/original defendant has been included the phrase "trademark Tokyo Osaka Co." which fact demonstrates the existence of an intention to give rise to the impression as if those commodities are of foreign manufacture while those commodities have been manufactured in Indonesia, while it is a fact that the plaintiff in cassation/original plaintiff do not carry the phrase in their trademarks;

Considering whereas in compliance to the objective of the Law which gives preference to protection to the general public referred to the phrase "the first user in Indonesia" shall be interpreted to mean "the first honest user in Indonesia (*bona fide*)" in accordance with the legal principle that protection shall be given to *bona fide* persons and not to non-bona fide persons;

Considering whereas owing to all that has been considered above, the decision of the Central Jakarta District Court insofar as it relates to the substance of the present case shall also be nullified and the Supreme Court will sit in judgment by themselves by consenting to the suit of the plaintiff in cassation/original plaintiff;

Considering whereas the defendant in cassation/original defendant as the losing party shall pay all costs of litigation, relating to the first instance as well as the instance of cassation;

Pursuant to the articles of the Acts concerned, the Regulation of the Supreme Court of Indonesia No. 1 of the year 1963 and article 46 of Act No. 13 of the year 1965.

#### DECIDES:

To consent to the cassation request of the plaintiff in cassation:  
P.T. TANCHO INDONESIA CO. LTD. referred to:

To nullify the decision of the Central Jakarta District Court of March 30, 1972 No. 53/1972G;

To nullify the decision of the Central Jakarta District Court of July 6, 1972 No. 521/1971G and No. 53/1972G.

To direct the Central Jakarta District Court to examine and Judge separately case No. 53/1972G;

## SITTING IN JUDGMENT BY THEMSELVES:

To consent to the suit of the plaintiff partially;

To declare the plaintiff as the proprietor and first user in Indonesia of the Tancho tradename/trademark and consequently being the one and only party entitled to use the tradename/trademark referred to in Indonesia;

To nullify the registration of the trademarks in the name of the defendant, namely:

- a. trademark No. 82735 dated March 3, 1966;
- b. trademark No. 82883 dated April 6, 1966;
- c. trademark No. 82021 dated November 2, 1965;
- d. trademark No. 81492 dated January 23, 1967;
- e. trademark No. 83965 dated October 31, 1966;
- f. trademark No. 85203 dated April 17, 1967;
- g. trademark No. 86275 dated August 29, 1967;
- h. trademark No. 86276 dated August 29, 1967;
- i. trademark No. 86281 dated August 29, 1967;
- j. trademark No. 86403 dated September 9, 1967;
- k. trademark No. 86669 dated October 9, 1967;
- l. trademark No. 86672 dated October 9, 1967;

To dismiss the suit of the plaintiff for the rest;

To sentence the defendant to pay all costs of litigation in the first instance as well as in the instance of cassation and the costs of litigation in the instance of cassation has been fixed at Rp. 705/- (seven hundred and five rupiahs);

Accordingly has been decided in a consultative session of the Supreme Court on Wednesday, 13 December 1972 with Prof. R. Soebekti SH as Chairman, D.H. Lumbanradja SH, and R.Z. Azikin Atmadja Sh as Members of the Court and pronounced in open session on Wednesday, 20 December 1972 by said Chairman, in the presence of P.H. Lumbanradja SH and R.Z. Azikin Kusumah Atmadja SH as Members of the Court and Sultan as Deputy Registrar, in the absence of both parties.

Members of the Court:

Chairman,

signed/D.H. Lumbanradja SH

signed/Prof. R. Subekti Sh  
Deputy Registrar

signed/R.Z. Azikin Kusumah  
Atmadja SH

signed/Sultan