

## The Jurisdictional Implications on Default of the Parties to Trademark License Agreements Made before a Notary

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**Abstract.** *This study aims to identify and analyze the juridical implications of the parties' default in the trademark license agreement made before a notary, to identify and analyze the legal remedies for the parties' default in the trademark license agreement made before a notary. The research approach method used in this thesis is a normative juridical legal research method. Specifications This study uses a description of the analysis. Sources of data come from primary data which includes Act No. 20 of 2016 concerning Brands and Geographical Indications, PP No. 36 of 2018 concerning the recording of IPR License Agreements, Act No. 2 of 2014 in conjunction with Act No. 30 of 2004 concerning the position of a Notary, as well as secondary data containing books and other supporting documents. Data collection methods include library research, Document Study. The data analysis method used in analyzing the data is qualitative analysis. The results of the study indicate that in a trademark license agreement made before a notary, it is obligatory to submit an application for registration to the Ministry of Law and Human Rights in order to obtain legal protection. However, if the license agreement is not registered, the license agreement is only binding on the parties who entered into the license agreement and in the event of a default, the license agreement can be canceled or null and void and has no impact on third parties. Legal remedies if there is a dispute in the trademark license agreement, namely by litigation and non-litigation.*

*Keywords: Agreement; License; Trademark.*

### 1. Introduction

Property Rights Intellectual property is property rights that arise or are born due to human intellectual abilities.<sup>1</sup> Legal protection of intellectual property rights is a tangible form of intellectual property rights. This is because intellectual property rights are proprietary rights that only exist and are bound to the owner or rights holder, so that if other parties wish to use these rights to make or produce physical objects as products, they must obtain a license from the owner

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<sup>1</sup>Abdul Atsar, (2018), *Mengenal Lebih Dekat Hukum Hak Kekayaan Intelektual*, Yogyakarta: Penerbit Deepublish, p. 3.

or rights holder. Therefore, these physical objects are only used as physical evidence if one day someone violates IPR.

The license contract as set forth in Article 1, paragraph 18, Act No. 20 of 2016 concerning Marks and Geographical Indications, in particular licenses issued by registered rights holders to other parties based on agreements in documents in accordance with law. A license is granted by paying a fee known as a royalty, in which the licensee gets an agreed right to exploit the product.<sup>2</sup>

A license agreement is a granting of the right to use an intellectual property right from the licensor to benefit the brand or its intellectual property rights, in which the licensee will benefit in accordance with the form of the recipient's fee. It can be said that with a license, there is an authority that is permitted by the licensor to the licensee to exercise the rights protected by the patent, to produce, use and/or factor the sale by paying.<sup>3</sup>

The granting of a license is generally stated in a written agreement and recorded in the General Register of Intellectual Property of the Ministry of Law and Human Rights in accordance with the provisions in Article 7 paragraph 1 PP No. 30 of 2018 concerning the recording of intellectual property license agreements, therefore to create absolute and firm clarity for those who are bound. In the agreement, the agreement should have been made in an authentic deed as a strong title (*rechts title*).<sup>4</sup>

Notaries as public officials have important roles and responsibilities in making authentic deeds, in this case the license agreement as outlined in the authentic deed is intended to provide legal certainty and guarantee a sense of security for the parties to the agreement. The deed made before a notary has a valid and attractive evidentiary power, meaning that the contents of the deed listed are binding on the parties so that it is sufficient to help the judge to make a decision on a dispute.<sup>5</sup> Therefore, in concluding an agreement for perfect legal protection with evidence, the role of a notary is very important in making a trademark license agreement deed.

The signing and execution of license contracts is based on the principles of agreement contained in general contract law. The principles in contract law form

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<sup>2</sup>Act No. 20 of 2016 on Marks, article 1 point 18.

<sup>3</sup>I Gusti Bagus Arya Anggara Paramarta, Ida Bagus Wyasa Putra, Ni Ketut Sri Utari. (2017). "Akibat Hukum Perjanjian Lisensi Terhadap Pihak Ketiga", *Acta Comitas, Jurnal Hukum Kenotariatan Universitas Udayana*, Vol 2 No 1, p. 1.

<sup>4</sup>H. OK. Saidin, (2004), "*Aspek Hak Kekayaan Intelektual (Intellectual Property Rights)*," Jakarta: Raja Grafindo, p. 384.

<sup>5</sup>Christin Sasauw, (2015), "Tinjauan Yuridis tentang Kekuatan Mengikat suatu Akta Notaris", *Jurnal Lex Privatum Volume 3 Nomor 1*, p.100.

the legal basis for the creation and implementation of license agreements. Therefore, the principle of contract law plays an important role and determines the implementation of the license contract. But in reality sometimes the root of the problem comes from the failure of the parties to respect the provisions contained in the license agreement.<sup>6</sup>

Factors that cause default are often related to the quality of the licensed product, the length of the contract, and royalties.<sup>7</sup>The trademark license agreement basically regulates what is the dispute in the agreement. In the case of a trademark licensing agreement, if there is a dispute between the parties bound in the agreement, they can use the Litigation and Non-Litigation channels.<sup>8</sup>

## 2. Research Methods

This study uses a description of the analysis that is research to provide an overview, write down and report an object or an event will also draw general conclusions about the problems that occur. The data source comes from secondary data. Data collection methods include Library Research, Document Studies. The data analysis method used in analyzing the data is a qualitative analysis of the interactive model as proposed by Miles and Huberman.

## 3. Results and Discussion

### 3.1. Juridical Implications for Default of the Parties in the Trademark License Agreement made in the presence of a Notary

License is an absorption word from English license which is defined as permission. According to Gomulkiewicz, licenses are currently experiencing increasing interest in being used because the licensor has the right to grant permission for several licensees and is exploited partially or completely by the licensee,<sup>9</sup> but does not eliminate the exclusive rights of the licensor as the legal and registered owner of the rights.<sup>10</sup>

Licensing is a legal safeguard<sup>11</sup>based on the agreement of the parties to utilize their exclusive rights. Basically, a business actor chooses a license as a means of

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<sup>6</sup>Syarifuddin, M. S. A. (2019). *Penyelesaian Sengketa Dalam Perjanjian Lisensi Merek*. Simbur Cahaya, vol. 26(1), p.27-41.

<sup>7</sup>Pasaribu, N. S. (2004). *Wanprestasi dalam Perjanjian Lisensi Merek*, p.5

<sup>8</sup>Syarifuddin, Op.cit, p. 40.

<sup>9</sup>Robert W. Gomulkiewicz, (2014), *"Licensing Intellectual Property: Laws and Applications,"* New York: Wolters Kluwer Law & Business, p.25.

<sup>10</sup>Alexander I Poltorak and Paul J. Lerner, (2004), *"Essentials of Licensing Intellectual Property,"* Canada: Wiley, p.1.

<sup>11</sup>Anna Fitzgerald dan Brian Fitzgerald, (2004), *"Intellectual Property in Principle,"* Sydney: Law Book Co, p.6.

business development with reasons to expand the market and business area, easier product distribution, reduce competition, and control business activities without spending a lot of money.<sup>12</sup>

The growth of types of licenses is increasing with the existence of exclusive and non-exclusive licenses. Exclusive licenses are granted for certain rights for a certain period of time and are not granted to any other party except the licensee. A non-exclusive license is granted to the Licensee to exercise the Rights, but the Licensor retains the right to use and exercise the Rights and grants the same rights to other parties.<sup>13</sup>

The license is stated in a written concept agreement. Agreements can also be made orally, but to ensure strong legality and easy proof of facts, agreements are usually made in writing. The license agreement is a legal protection for well-known marks to prevent disputes in the form of infringement of well-known marks.<sup>14</sup>

The license stated in the agreement must be registered with the Ministry of Law and Human Rights through the DJKI. as regulated in Government Regulation Number 36 of 2018 concerning Intellectual Property License Agreements. Registration of the agreement requested by one of the parties to the agreement or by giving power of attorney to the DPI consultant, if the licensor and/or recipient; residence permit abroad or foreign nationals. A need-based obligation facilitates evidence in future litigation and protects the other party's right to be bound by the agreement. With protection under license agreements must encourage and trigger creativity and intellectual property discovery to produce works that are needed by the community.

The registered license agreement will be recorded in the General Register of Marks and announced in the Mark Gazette until the expiration of its validity period. In the event that the license agreement is renewed, the Licensor and/or Licensee may require re-registration.

In the license agreement, if the debtor fails to fulfill his obligations and ultimately defaults, which results in losses for the creditor, which is in the debtor's fault and also in the creditor's loss, it can be said that the default occurred in the agreement.

In this case, there is a need for a notary role for legal protection of the parties who enter into trademark license agreements. 2 of 2014 Amendments to Act No. 30 of 2004 concerning the position of a Notary<sup>15</sup> as a public official authorized to make authentic deeds or other authorized officials regulated by laws and regulations.<sup>16</sup>The article explains that a notary deed includes all legal actions,

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<sup>12</sup>Gunawan Widjaja, (2001), *"Lisensi,"* Jakarta: Rajawali Pers, p.15 – 17.

<sup>13</sup>Endang Purwaningsih, (2020), *"Paten dan Merek,"* Jakarta: Citra Intrans Selaras, p.107.

<sup>14</sup>Philipus M. Hadjon, (1987), *"Perlindungan Hukum bagi Rakyat,"* Surabaya: Bina Ilmu, p.2.

<sup>15</sup>G.H.S. Lumban Tobing, (1999), *Peraturan Jabatan Notaris,* Jakarta: Erlangga, p.31.

<sup>16</sup>H. Salim, (2015), *"Teknik Pembuatan Akta 1 (Konsep Teoritis, Kewenangan Notaris, Bentuk dan Minuta Akta),"* Jakarta: Raja Grafindo, p.49.

agreements between the parties and/or laws and regulations whose regulation requires a written form.

Article 1866 of the Civil Code explains that written evidence is one means of proof. In this case, the deed made by a notary is perfect evidence in the event of a dispute, so that if the right holder wants to sign a written agreement, his needs and desires must be stated in the deed signed before the notary.

The role of a notary in making a license agreement in a deed is not specifically stated in Act No. 20 of 2016 concerning Marks, but in Article 1 number 18 of Act No. 20 of 2016 concerning Marks defines a license as a permit granted by the licensor to the licensee individually in writing, so that it can be understood that the existence of the agreement is related to disputes over trademarks in court. For trademarks that are canceled or null and void, the license is valid as long as it is stated in the agreement clause.

Seen again from Article 7 paragraph (1) of Government Regulation Number 36 of 2018 concerning the Recording of Intellectual Property License Agreements which state that the License Agreement must be recorded by the Minister of Law and Human Rights. License Agreements that are not registered and not announced, do not have legal consequences for third parties (Article 15 paragraph (4) PP 36/2018). Although the license agreement is not recorded and not announced, based on Article 1313 of the Civil Code, it is stated that the agreement is still legally binding on the parties for those who make it or bind themselves in the agreement.

From the description above, it can be seen what the legal consequences are for the party who defaults in relation to the settlement of the agreement or contract, if the license agreement has been registered, the aggrieved party can file a lawsuit directly to the Commercial Court. However, if the license agreement is not recorded, the license agreement is only binding on the parties who entered into the license agreement, namely the licensor and the licensee. A consequence that can occur from bad faith, or default by the parties, the license agreement can be canceled or null and void and has no impact on third parties. Therefore, the license agreement must be recorded and announced by the Minister of Law and Human Rights so that it can have legal consequences for third parties.

### **3.2. Efforts to Settle the Default of the Parties in the Trademark License Agreement made in the presence of a Notary**

The making of the licensing agreement has been regulated in Government Regulation number 36 of 2018 concerning the Recording of Intellectual Property License Agreements in Article 5 it is stated that "The license agreement is made in written form between the licensor and the licensee as well as in the license agreement it is prohibited to contain provisions that can harm the Indonesian

economy. and Indonesia's national interest; contains restrictions that hinder the ability of the Indonesian people to transfer, control, and develop technology; result in unfair business competition; and/or contrary to the provisions of laws and regulations, religious values, morality, and public order. so that the provisions in the License Agreement as regulated in the said Government Regulation are in line with the provisions stipulated in article 1320 of the Civil Code. The nature of contract law is coercive. This means that it must fulfill all the rules that have been determined in the law, for example, there must be a notarial deed and must comply with the principles of contract law which include, among others: (1) Regulating, namely the contents of the contract must be agreed upon by the parties. in entering into an agreement; (2) Freedom of contract, which is free to carry out the contents of the contract according to the agreement of the parties without violating the laws that have been determined. This means that it must fulfill all the rules that have been determined in the law, for example, there must be a notarial deed and must comply with the principles of contract law which include, among others: (1) Regulating, namely the contents of the contract must be agreed upon by the parties. in entering into an agreement; (2) Freedom of contract, which is free to carry out the contents of the contract according to the agreement of the parties without violating the laws that have been determined. This means that it must fulfill all the rules that have been determined in the law, for example, there must be a notarial deed and must comply with the principles of contract law which include, among others: (1) Regulating, namely the contents of the contract must be agreed upon by the parties in entering into an agreement; (2) Freedom of contract, which is free to carry out the contents of the contract according to the agreement of the parties without violating the laws that have been determined.<sup>17</sup>

The terms of the license agreement will have legal consequences if the license is made in writing between the licensor and the licensee. This provision is an obligation so that this agreement is made in writing also strengthened by the obligation to register a license as stated in Article 42 paragraph (3) of Act No. 20 of 2016 concerning Marks and Geographical Indications in conjunction with Article 5 paragraph (1) of Government Regulation number 36 of 2016 2018 concerning the Recording of Intellectual Property License Agreements.

In article 7 paragraph 1 PP no. 36 of 2018 confirms that in order for the License Agreement to have legal consequences for third parties, the License agreement must be registered by submitting an application for registration to the Ministry of Law and Human Rights so that the License Agreement will later be recorded and announced in the Official Gazette of Trademarks. can be done in writing to the Minister of Law and Human Rights and can be done electronically; or non-electronic. If the license agreement is not registered, there will be no legal consequences for third parties. This means that the state will not recognize an

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<sup>17</sup>Salim H.S, SH, MS, (2003), *Perkembangan Hukum Kontrak di Indonesia*, Jakarta: Penerbit Sinar Grafika, p. 9.

unregistered license agreement so that if at a later date the licensee intends to grant a sub-licence to a third party, the granting of the sub-licence will not be recognized by the state and its rights based on the agreement will not be protected. This provision is regulated in article 15 paragraph 4 of PP no. 36 of 2018.

Legal entities or those involved in the licensing industry are often parties to licensing contracts, it is still difficult to understand what the validity of the licensing agreement is. This agreement and remain trapped in the legal uncertainty that will arise in the event of a dispute over the misuse of a permit which can harm one of the parties. Whether the violation has something to do with a license agreement where the party violates the agreement knowingly or unknowingly, in whole or in part, and can harm the parties to the agreement, the lawsuit can be said to be a breach of contract (Article 1234 of the Civil Code).

If the debtor does not carry out his obligations and in the end it turns out to be in default which causes losses to the creditor, it can be seen from the fault of the debtor and there is also a loss to the creditor, then it can be said that the state of default occurs in the agreement.

Settlement of disputes according to civil law In particular, trademark license agreements can be resolved by non-litigation, namely dispute resolution outside the legal system and procedural law applicable to the judiciary. Alternative dispute resolution can be resolved by consultation, negotiation, mediation, conciliation, or expert judgment as well as through arbitration. Then litigation can be resolved through a court body using the civil procedural law applicable in Indonesia as regulated in Article 90 of Act No. 15 of 2001, it can be submitted to the Commercial Court or the District Court.<sup>18</sup>

The sanctions imposed on the respondent can be in the form of compensation in the form of money, termination of all actions related to the use of the mark, as well as penalties and fines that are applied simultaneously, which depends on the level of guilt of the perpetrator himself.

From the description above, it can be interpreted that if there is a dispute in the trademark license agreement, it can be carried out in two ways, namely Litigation and Non-Litigation. The legal consequences of the license agreement on the parties who default are if the license agreement has been registered with the Directorate General of Intellectual Property, the aggrieved party can file a lawsuit directly to the Commercial Court, but if the license agreement is not registered with the Directorate General of Intellectual Property Rights then The license agreement is only binding on the parties who make such a license agreement, namely the licensor and the licensee. The legal consequences that may occur from the absence of good faith.

For legal settlement efforts in this license agreement dispute, it can be carried out in stages where the first settlement stage can be carried out in a non-litigation way, namely conducting consultations, negotiations, mediation. If the

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<sup>18</sup>Erman Rajagukguk, (2000), *Arbitrase Dalam Putusan Pengadilan*, Chandra Pertama, Jakarta, p.1.



first stage is not successful, then you can use the second route, namely through litigation (courts / legal channels) where the settlement of cases or disputes can be carried out in commercial courts and district courts as formal judicial institutions.

#### **4. Conclusion**

The trademark license agreement has basically been regulated in Article 1 number 18 of Act No. 20 of 2016 concerning Marks and Geographical Indications, which reads that a license is a permit granted by the owner of a registered mark to another party based on a written agreement in accordance with the laws and regulations to use a registered mark. In the license agreement, it is also obligatory to record the agreement to the Minister of Law and Human Rights as regulated in Article 7 paragraph (1) of Government Regulation Number 36 of 2018 concerning the Recording of Intellectual Property License Agreements. License Agreements that are not registered and not announced, do not have legal consequences for third parties (Article 15 paragraph (4) PP 36/2018). Although the license agreement is not registered and not announced, Article 1313 of the Civil Code states that the agreement is still legally binding on the parties to the agreement. From the description above, it can be seen what the legal consequences are for the party who defaults in the trademark license agreement made before a notary in relation to the dispute resolution of the license agreement, if the license agreement has been registered, then the injured party can file a lawsuit directly to the Commercial Court. However, if the license agreement is not recorded, the license agreement is only binding on the parties who entered into the license agreement. A consequence that can occur from a default that is not recorded by the Minister of Law and Human Rights, the license agreement can be canceled or null and void by law and has no impact on third parties.

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