

Features

Creating a resilient enforcement strategy for Indonesia

Indonesia is a challenging jurisdiction in terms of enforcement endeavours, but a combination of different tactics will set brands up for success

By Andrew Conduit

Indonesia is often described as a challenging jurisdiction in which to enforce IP rights. This is true to the extent that not all options found in more developed jurisdictions are available.

However, despite these limits rights holders still have a great many options when it comes to protecting their intellectual property effectively.

Effective enforcement

Indonesia is a vast archipelago comprising more than 17,000 islands. Eliminating infringing products and services entirely is unrealistic, but reducing the prevalence of infringing and counterfeit products is achievable. Enforcement strategies tend to focus on key sales areas, typically the major commercial centres of Jakarta, Surabaya, Medan, Bandung, Makassar, Semarang and Denpasar.

Information about counterfeiting trends in Indonesia is difficult to access. The authorities seldom, if at all, release accurate statistics and market surveys are generally conducted privately and are not published. Consumer products are the most likely to be counterfeited on a large scale – domestic consumption accounts for approximately half of Indonesia's gross domestic product – with most cheap counterfeits coming from China.

An effective enforcement strategy typically consists of a combination of investigations, warning letters, criminal raids and PR measures. The key component is the criminal raid, which is the most effective deterrent. Warning letters and PR measures tend to be taken more seriously if a raid has been conducted.

How raids work

Infringement of trademarks (and other IP rights) is a complaints-based crime. Criminal proceedings are commenced by filing a criminal complaint with the police. It is possible to work with the national, regional, resort or sector police unit that has jurisdiction over the area in which the subject of the complaint is located. Ensuring that the police unit in question has sufficient jurisdiction is particularly important where multiple targets are addressed under one complaint (although police units can take action beyond their jurisdiction when it comes to following leads).

Thorough preparation by the complainant increases the chances of a raid going smoothly. In practice, this means good investigative work, as the police have only limited resources. Before a raid, the police unit in question should be provided with a thorough brief, including:

- copies of registration certificates for the complainant's infringed IP rights;
- a sample of the infringing product or service (it is unnecessary to have a notary witness procurement of the sample);
- evidence of the origin of infringing products or services (eg, receipts)
- a sample of the genuine product or service;
- a map of the target premises, including storage locations, entrances and exits; and
- a good investigative report describing the key personalities and how the target business operates.

Raids are usually carried out within two weeks of filing a complaint.

The police will sometimes require a statement from the Directorate General of Intellectual Property (IP Office). This is almost always where there is some doubt about whether registered rights have been infringed, for example, where the infringing goods are not pure counterfeits. A statement is also sometimes required by police units as part of their internal protocols, which vary from unit to unit.

Police may also require a court order before proceeding with a raid. Under the Criminal Procedure Law, a court order should be obtained before the police conduct a raid, but is not required if the circumstances are urgent. The possibility of a target disposing of infringing products is generally accepted as falling under this exception.



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Active support should be provided to police throughout the raid process. This includes conducting checks on targets immediately before a raid to confirm stock levels, attending the raid to help to identify counterfeit products and arranging logistics. In addition, rights holders should consider renting vehicles and hiring people to transport seized products and leasing storage facilities where the volume of seized products is significant (ie, there is too much to store at police headquarters).

For the uninitiated, observing a raid in Indonesia for the first time may be a surprising experience. There is rarely any aggression displayed by police or attorneys – no uniforms, flashing lights, police line or weapons. In fact, the authorities will usually take steps to ensure that all involved do not lose face (eg, telling factory workers that the facility is being closed for a stocktake and asking them to leave). This may at first seem counterproductive, but it helps to ensure that the goals of the raid action – a post-raid settlement or criminal prosecution – are achieved without unnecessary complications.

Witnesses and suspects will then be summoned to police headquarters to be interrogated. While in theory copies of police records should not be made available to a complainant, in practice officers will almost always allow a representative of the complainant to attend the interrogation. This can be an invaluable opportunity to gather useful information, such as the source of the counterfeit products.

Post-raid settlements

After completing interrogations and paperwork, police will invite parties to negotiate a settlement. This is a standard step that precedes police files being transferred to a public prosecutor.

Criminal trademark infringement is a complaint-based crime and under the Criminal Procedure Law a complainant has the right to withdraw its complaint within three months of filing. This puts complainants in a strong negotiating position – if the complaint is withdrawn, there is no criminal case to prosecute.

There are no limits to what terms a negotiated settlement can include. Of course, basic principles of negotiation apply and parties cannot be expected to agree to terms that they perceive to be worse than the best available alternative to a negotiated solution. In a raid target's case, this is criminal prosecution, the associated opportunity and financial costs, and the prospect of incarceration pending (and possibly after) trial. A complainant's best available alternative to a negotiated solution is also criminal prosecution, which represents an uncertain outcome – courts in Indonesia are notoriously unpredictable and sentences for IP crimes typically have little deterrent effect.

Therefore, it is in the interests of both parties to agree on reasonable settlement terms. These usually include:

- undertakings not to infringe again, including a liquidated damages clause to be applied in the event that the undertaking is breached;
- the release of the seized goods to the complainant for destruction; and
- the publication of an apology notice in local media at the target's expense.

Cases that proceed to prosecution are usually those where the complainant insists on making an example of the target (eg, where the target is a repeat infringer).

Destruction

If the release of the seized goods to the complainant is agreed on as a settlement term, the complainant may destroy the counterfeits as it sees fit. This often involves recycling the seized goods, which reduces the cost of destruction (eg, donating scrap metal to workers who then carry out destruction without charge).

Destruction is a good opportunity to heighten the deterrent effect of a raid with media attention. This could consist of a press release and inviting photo-journalists to witness the destruction or even organising live television coverage. Generally speaking, destruction is regarded by journalists as a high-interest story and they will usually attend if invited. It is a matter for the complainant to decide how much attention to draw – while some would prefer attention not be drawn to the existence of counterfeit products on the market, others may prefer maximum exposure.

This is also an opportune time to carry out a warning letter campaign. Warning letters can refer to the raid action and destruction of seized goods, which in turn will lead to a higher likelihood of securing compliance with any demands. As always, it is important to ensure that demands are reasonable in order to achieve a tangible result.

Civil proceedings

Criminal raids should not be seen as an opportunity to profit or even to recover the costs of the action. Civil infringement proceedings should be considered where one goal is to recover monetary damages.

Litigation in Indonesian courts can be challenging for various reasons, including because:

- there are no established principles for calculating damages;
- plaintiffs are required to prove their own case (ie, to submit evidence to substantiate their claims) and there are no discovery procedures (ie, defendants are not required to disclose evidence) – this is particularly difficult when it comes to establishing the amount of damages;
- there is no costs regime (ie, a losing party does not have to pay the costs of the winning party);
- there is no doctrine of precedent (ie, courts are not obliged to follow previous decisions); and
- there is significant corruption within the court system.

Countersuits

The risk of countersuit should be considered before proceeding with a criminal raid. Criminal proceedings can be suspended by filing a civil claim for cancellation of the registered trademark(s) on which the criminal complaint is based.

A countersuit will not represent an effective defence to the (suspended) criminal proceedings unless the claim for cancellation is successful. Countersuits can therefore be expected where there are reasonable prospects of success in the cancellation proceedings; conversely, it is less likely that they will be filed where this is not the case.

Of course, the raid target will incur costs by filing civil proceedings. Countersuits can therefore be expected from well-resourced targets. Given that there is no costs regime in Indonesia, there is no deterrent to filing vexatious claims. A well-resourced target can file civil proceedings without merit, simply to achieve a suspension of the criminal proceedings.

Customs

Seizing incoming or outgoing shipments at major ports is problematic.

In practice, it is not yet possible to record trademark rights with Customs. Despite a regulation introduced on August 2 2017, Customs' position is that it first requires further guidance from the Ministry of Finance on how to implement the recordal system.

A regulation dealing with customs seizures was also introduced back in 2012. However, Customs again took the position that it required further guidance on how to carry out seizures before it could proceed. Nevertheless, it is possible to seize incoming shipments by working with Port Police if shipment details are known. Port Police will monitor the incoming container and take action when the container leaves the customs zone. From there, the process is essentially the same as a criminal raid.

Of course while Customs operates at major ports, there are a large number of private ports spread across the archipelago that are not monitored. While a customs recordal system and proactive monitoring of incoming shipments are desirable, it is still necessary for rights holders to enforce their rights in market.

E-commerce

The online retail space in Indonesia is growing exponentially and is projected to be worth \$130 billion by 2020 – third in Asia behind China and India. While many rights holders already have systems in place to monitor popular e-commerce sites such as eBay and Alibaba, local Indonesian sites are often overlooked. Some of the most popular include:

- Tokopedia;
- Bukalapak;
- Lazada;
- Elevenia; and
- Kaskus.

Ads posted on these sites are directed at Indonesian consumers and are usually written in Indonesian. They are thus best monitored by Indonesian speakers.

Takedown notices are an effective way to remove ads for counterfeit products. The sites are obliged, under a Ministry of Communications regulation, to remove any content that infringes IP rights within 14 days of receipt of a notice.

Comments

Managing a dispute well and achieving the best results require tact. This is true anywhere in the world, and particularly so in Indonesia, which comprises more than 340 different ethnic groups. This extraordinary diversity means that cultural sensitivities should be taken into account before making any kind of approach – particularly in tense situations such as raids.

Accommodating religious concerns is also important. Belief in a god (Indonesia is a secular state) is one of the five founding principles of the country and religion is taken seriously. In areas where the population is predominantly Muslim, for example, it may be difficult to conduct actions during Friday prayers or the Ramadan month of fasting. Equally, in Eastern parts of Indonesia where the population is predominantly Catholic, it may be difficult to conduct action over Christmas or during Lent.

Last but not least, ensuring that your appointed attorney has a strong network of contacts with relevant authorities and an appropriate level of experience will help to ensure that enforcement action proceeds smoothly. Laws and regulations here are often unclear and require authorities to exercise discretion (eg, as to whether an expert opinion or court order is required). Strong relationships and work history build a level

of trust that can help to overcome some of these challenges, which otherwise might cause unnecessary delays or compromise the action.

Final thoughts

It is possible to enforce trademarks – and other IP rights – effectively in Indonesia, and the commercial opportunities available in this consumer-driven marketplace are reason enough to put some form of enforcement strategy in place. Commercial priorities will dictate what resources can be committed and what enforcement options are most frequently exercised, but generally speaking strategies should consist of a combination of investigations, warning letters, raid actions and PR measures.

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