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The Exclusive Rights of Licensees in Parallel Import Practices

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Abstract
Parallel imports are one of the most interesting and unique phenomena of international trade. On one hand, it applies competition law, while on the other, trademark law and the customs law also apply in this activity. Parallel imports occur when genuine goods are imported in parallel (concurrently) to goods imported by a licensee. These parallel imports are then sold at a cheaper price than that of the goods of the licensee. This parallel import activity is inconsistent with the exclusive rights that the licensee receives under the licensing agreement it makes with the owner of the trademark. This exclusive right is essentially monopolistic, entitling the licensee to prevent all parties with the commercial intention of selling the same or similar goods as their own. However, the right to monopoly is limited for the sake of a fair competition. The licensee can sue to get compensation in parallel importation base on unjust enrichment principle. Moreover, parallel importation can be inhabited by enforcing procedural and administration regarding import of goods such as, Indonesian national standard and label in bahasa.
Keywords: Parallel Importation; Trademark Law; Licensing Agreement; Exclusive Rights.

Introduction

The technology is globally advancing, thus creates impacts in every aspect of life, especially in economic field. Many conveniences are offered in the process of trading goods and services resulted in rapidly growing economic. Such conveniences are not only provided in domestic trades; international trades provide it as well, which goes by name the free trade. The reign of free trade era has affected exports businesses opportunities on rising and growing. Few ways can be the solutions for the businessmen to expand their market; by budget cuts and risks minimization. These ways aforementioned can be done in a time by registering trademark license.

Free trade facilitates the flow of goods and services trading. However, free trade in fact have a role on causing the increased number of law violation, especially in the intellectual property rights. One of the cases which often happens and slips easily without obtaining any handles from the authorities is the trademark parallel import. As the licensee who exclusively obtains the rights for the trademark, parallel import could get licensee suffered loss. This action may be supported by society interest to afford goods and services from the unauthorized licensee due to lower prices compared to the authorized one. Some factors such as fluctuations in exchange rate, disparity of costs and labor wages may be the reason of this lower price.[1]

Parallel imports often occur in Indonesia, moreover it always potentially arises disputes. However, the disputes about parallel imports are hard to find in reality although the goods that do not originate from the authorized licensee circulate freely around the country. The good understanding between trademark owner and licensee is needed for them to be conscious of the characteristics and the exclusive rights limitation that intended for the licensee. Understanding characteristic and exclusive rights limitation in trademark licensing contract is essential for both parties. By knowing characteristics and exclusive rights limitation through the trademark licensing contract, the licensee is aware of the protection to avoid loss by protecting the exclusive rights through the trademark licensing contract.

Trademark Licensing Contract

License is one of ways to develop the trademark owner's business that registered internationally.[2] Gunawan Widjaja defines license as a form of right to execute one or a series of action that given by those in authority in the shape of a permit.[3] In addition, Tim Lindsey stated that license is a form of permit issued by the owner of a trademark to another party to use (not a transfer of right) the particular trademark under a definite

[1] M. Hawin, 'Aspek Hukum Paralel Import' (1998) 1 Mimbar Hukum.[150].

[2] Gunawan Widjaja, *Lisensi Atau Waralaba Suatu Panduan Praktis* (PT Rajda Grafindo Persada 2002).[1].

[3] *ibid.*

period and conditions period that usually come with royalty. Granting permission to use trademark must be stated in an contract between trademark owner and licensee which known as trademark licensing contract. Licenses are contract-based, therefore the contract must fulfill the terms of Article 1320 Burgerlijk Wetboek (BW) which contains the requirements of a legal contract. Pursuant to Article 1320 BW, a contract is valid only if it fulfills the following requirements:

1. Concluded based on the free will of the parties;
2. Concluded by legally competent parties;
3. Agreed upon a definite object; and
4. Agreed upon a legal purpose.

Licensing contracts must be made on the basis pursuant to Article 1338 BW which states:[4]

All legally executed agreements shall bind the individuals who have concluded them by law. They cannot be revoked otherwise than by mutual agreement, or pursuant to reasons which are legally declared to be sufficient. They shall be executed in good faith.The article above provides that parties to a contract are free to include any provisions they wish into the contract, subject only to mandatory provisions of Indonesian Law.

Licensing contracts registration is mandatory for licensees according to Article 42 Section 3 Law Number 20 Year 2016. Application for licensing contracts registration is submitted to Minister of Law and Human Rights and placed it in the Official Trademark Bulletin published periodically by fulfilling the requirements according to Minister of Law and Human Rights Regulation Number 8 Year 2016 concerning Terms and Procedures of Application of Intellectual Property Rights Registration (hereinafter referred to as Permenkumham 8/2016). Licensing contracts registration is essential in view of the fact that unregistered licensing contracts consequently leads to the contract cannot legally bind the third parties.[5]

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[4] R. Subekti and R. Tjitrosudibio, *Kitab Undang-Undang Hukum Perdatas Burgerlijk Wetboek* (Balai Pustaka 2014).[339].

[5] *Law Number 20 Year 2016 concerning the Trademarks and Geographic Indication (State Gazette Year 2016 Number 252, Supplement to State Gazette Number 5953)*.Art.42 Sec. (5)

However, unregistered licensing contracts do not change the status of licensing contracts between owners of trademarks and licensees. Licensing contracts that has fulfilled the conditions of a valid contract and legal basis pursuant to BW, especially in Article 1338 BW, still legally binds all the contracting parties.

Exclusive Rights

Licensing contracts allow licensees to obtain the right to a trademark permitted by owners of trademarks as agreed. The existing of the right to a trademark is recognized as a form of ownership (property or as a form of property), which only can be used exclusively by the owners of trademarks.[6] Therefore, rights to a trademark as an object of ownership (*eigendoms*) and property object allow it to be licensed by owners of trademarks to other parties.[7] The right to a trademark is recognized as one form of property which may only be used by owners of trademarks.[8] Therefore right to a trademark is considered as object of ownership and property object that allow right to a trademark is possible to be licensed by owners of trademarks to other parties.[9]

The right to a trademark as set out in Article 1 Section 5 Law Number 20 Year 2016 is "an exclusive right conferred by the State on the owner of a Trademark registered in the Trademark General Registry for a definite period time by using the Trademark for him/herself or permitting the use thereof by another party." The agreement of TRIP's also regulates about exclusive right in Article 1 Section 1. Regulation of TRIP's indicates right to monopoly as a character of exclusive right.[10] This expressly states that licensees has exclusive right to prevent any parties who without the right to use the trademark that is similar in principal or in entirety

[6] M. Yahya Harahap, *Tinjauan Merek Secara Umum Dan Hukum Merek Di Indonesia Berdasarkan Undang-Undang No. 19 Tahun 1992* (Citra Aditya Bakti 1996).[362].

[7] Rahmi Jened, *Hukum Merek (Trademark Law) Dalam Era Global Dan Integrasi Ekonomi* (Kencana Prenadamedia Group 2015).[202].

[8] M. Yahya Harahap (n 6).[362].

[9] Rahmi Jened, *Hukum Merek (Trademark Law) Dalam Era Global Dan Integrasi Ekonomi* (n 7).

[10] Muhamad Djumhana and R. Djubaedillah, *Hak Milik Intelektual Sejarah, Teori, Dan Prakteknya Di Indonesia* (Revisi, PT Citra Aditya Bakti 1997).[163].

for the goods and services of the same type for commercial purposes.[11] Therefore, licensees may eliminate their rivals and becomes the sole supplier who controls the market mechanism with a monopoly sistem which is usually followed by trade restraint and arbitrary price fixing.[12]

Michele Boldrin and David K. Levine stated "intellectual monopoly that hinders rather than helps the competitive free market regime that delivered wealth and innovation to our doorsteps".[13] This opinion indicates exclusive right as a way of monopoly brings negative impacts for both free trade and consuments, thus right to prevent has to be given as provided in the prevailing laws and regulations. Regarding exclusive right, monopoly activities should be restricted to create fair competition which is the purpose of WTO.

Article 17 TRIP's stated: "Members may provide limited exceptions to the rights conferred by a trademark, such as fair use of descriptive terms, provided that such exceptions take account of the legitimate interests of the owner of the trademark and of third partied". This article gives freedom for State member to set limitations for the exclusive right considering the legal interest of the owner of trademark and third parties. These limitations are contained in Law Number 5 Year 1999 concerning The Ban On Monopolistic Practices and Unfair Business Competition. This law regulates prohibited agreements and banned activities, one of them is banning monopoly practices. However, the banning has exemptions to the agreements relating to Intellectual Property Right as set out in Article 50 Section (b) Law Number 5 Year 1999 which stated: "Exemptions to the provision of this law are: (b). agreements relating to Intellectual Property Right such as license, patents, trademarks, copyrights, integrated electronic circuit industry product designs, trade secrets, and agreements relating to franchises".

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[11] Rahmi Jened, 'Implikasi Persetujuan Trips (Agreement on Trade Related Aspect of Intellectual Property Rights) Bagi Perlindungan Merek Di Indonesia' [2000] Yuridika.[17].

[12] M. Yahya Harahap (n 6).[38].

[13] Michele Boldrin and David K. Levine, *Against Intellectual Monopoly* (Cambridge University Press 2010).

This article seems to allow monopoly practices and unfair business competition related to Intellectual Property Right, however further investigation is needed in this case. Based on the Guidance Of Law Implementation Article 50 Section b concerning Exclusion Of The Implementation of Law Number 5 Year 1999 to the agreements relating to franchises issued by The Business Competition Supervisory Commision (Komisi Pengawas Persaingan Usaha) as set out in KPPU Decree Number: 57/KPPU/Kep/III/2009, elaborating that licenses regulations contain provisions/clauses which may potentially hinder competitions, such as fixing price, supply quantity restrictions, the obligation to purchase products not related to licensees, territorial divisions, and prohibitions on conducting similar business activities after license had expired. Such clauses or provisions may potentially arise conflicts in view of the fact that these clauses are contradicted with the purposes of Law Number 5 Year 1999 which aims efficiency, equal business opportunities for all business actors, and technology development. In the event of licensing contracts contain clauses or provisions which hinder competitions, the licensing contracts is not included in the exemptions as referred to in Article 50 Section b Law Number 5 Year 1999.

In addition, the limitations of exclusive right to monopoly practices are also set out in Article 6 TRIP's which regulates limitations of trademarks relating to the exhaustion principle. Fundamentally, Indonesian trademarks law does not provide the exclusive right to control the use, movement, or circulation of goods.[14] This implies the right to control the exhausted goods arises when goods have been sold on the market. The limitations of exclusive right are also set out in other article of TRIP's namely Article 19 TRIP's, which stated:

> "If use is required to maintain a registration, the registration may be cancelled only after an uninterrupted period of at least three years of non-use, unless valid reasons based on the existence of obstacles to such use are shown by the trademark owner. Circumstances arising independently of the will of the owner of the trademark which constitute an obstacle to the use of the

[14] M. Hawin, *Isu-Isu Penting Hak Kekayaan Intelektual Di Indonesia* (Gadjah Mada University Press 2017).[69].

> trademark, such as import restrictions on or other government requirements for goods or services protected by the trademark, shall be recognized as valid reasons for non-use.
> When subject to the control of its owner, use of a trademark by another person shall be recognized as use of the trademark for the purpose of maintaining the registration".

These provisions are adopted by trademarks law as the basis for eliminating registration of trademarks for non-use reason (trademarks are not used) for 3 (three) years since the date of registrations as set out in Article 74 Law Number 20 Year 2016. However, the non-use reason may be excluded if these prohibitions are applied; import bans, prohibitions related to permits for distributions of goods which use concerned trademarks or decisions from the temporary authorities, or other similar prohibitions which established by government regulations.[15] Exemption are also given in the matter of the registered owners of a trademark do not use their trademarks in trading of goods and/or services in the territory of The Republic Of Indonesia, the use of trademarks by licensees are similar with the use of the trademarks by the registered owners of the trademarks.[16] Based on this matter, through licenses, a trademark is considered to have been used the same as it have been used by the registered owner of trademark. With this limitation existing, it is not profitable for licensees when parallel import occurs in their license territories as it may cause loss for licensees.

Parallel Import

According to D.R. Shananhan, Parallel Import defined as "Goods manufactured outside the jurisdiction by, or under the authority of, the owner of an industrial property right relating to these goods, but imported by someone other than an authorized importer or distributor".[17] In line with this doctrine, Goldman stated that parallel imported goods are sold in lower prices compared to the goods

[15] *Law Number 20 Year 2016 concerning the Trademarks and Geographic Indication (State Gazette Year 2016 Number 252, Supplement to State Gazette Number 5953)* (n 5). Art. 74 Sec. (2).
[16] *ibid*. Art. 44.
[17] M. Hawin, 'Aspek Hukum Paralel Import' (n 1).[150].

sold by licensee in the same territory.[18] The price differences is the main cause of why parallel import exists. The price differences may occur due to reasons of marketing strategies, exchange rate fluctuations, marketing costs and services after sales, shipping costs, dan packaging costs.[19]

According to M. Hawin, there are four types of parallel import namely:[20]

1. Domestic trade mark owner and overseas trade mark owner are the same person
   Domestic company establishes overseas company to produce goods and put the trademark on the goods. Later the companies import the goods for domestic distribution. Both companies also send these good to other countries.[21]
2. Domestic distributor is registered user of the overseas trade mark
   A domestic distributor buys the rights of trademark (rights to register and sell the products) from an independent foreign company. The foreign company (or third parties) later import products with the same trademark and sell it in first company market.[22]
3. Domestic trade mark owner is a subsidiary or a related company of a multinational company
   Foreign company which has a deal with a domestic company or establishes domestic branch registers a trademark similar to the trademark used by the foreign company. Parallel import occurs when third parties and/or the foreign company import similar goods into the domestic market.[23]
4. Trade mark is assigned to the local distributor (the local and overseas trade mark are owned by different person)
   Domestic distributors buy the right of using the trademark from an overseas company. This action resulted in the transfer of ownership right on a trademark within specifically domestic distributor territory. Therefore, the domestic distributor may act for and in their own name. The owner of trademark usually transfer their ownership right with condition that the right receiver may only distribute the goods only within a specific territory and importing the goods into the owner of the trademark's territory is prohibited. after the agreement is made, the other distributor (or third parties) imports the goods to the owner of trademark's territory.[24]

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[18] *ibid.*

[19] M. Hawin, 'Legal Potition of Several Asian Countries on The Parallel Importation of Trade-Marked Goods' (2015) 2 Asia Law Review.[21].

[20] M. Hawin, *Intellectual Property Law on Parallel Importation* (Gadjah Mada University Press 2010).[18-19].

[21] M. Hawin, 'Aspek Hukum Paralel Import' (n 1).[153].

[22] *ibid*.

[23] *ibid*.

[24] *ibid*.

Based on the doctrine of M. Hawin, parallel import not only occurring in licensing agreements, in fact it also occurs in distribution agreements and agencies agreements. Upon the agreements made, the distributor or agent is given exclusive right by the owner of the trademark as the sole distributor or agent.[25] Based on the agreement, the exclusive right received by agents and distributor are fundamentally different. Agents are given exclusive right as intermediary for and on behalf of the owner of the trademark. On the other hand, the distributor are given the rights of the goods, therefore they acts for and in their own name.[26]

Ramond R. Mandra stated that there are only 3 (three) types of parallel import, namely:[27]

1. Prototypical Gray Market Situation

   In this situation, the domestic companies buy the right to produce from a foreign company. Parallel import occurs when the third partied buy the goods produced by right buyer in their territory and later the third parties import the goods to the owner of trademark's territory.

2. Common-Control Situation

   In common-control situation, there are 3 (three) situation that may describe the relation between the domestic company and foreign company in case of the parallel import happens. First, when foreign company has a branch in a country and they have registered their trademark in that country and allowed to produce overseas goods related to the trademark. Second, when the domestic company has branch overseas which produces the similar goods with the one the parent company produces. Third and last, when the domestic company has overseas production factory which produces the company's trademarked goods. Parallel import may occur in these situations if the foreign companies who possessed

[25] *Minister of Trade Regulation Number 11/M-DAG/PER/3/200 concerning Provisions and Procedures for Issuance of Registration Certificates for Agents or Goods Distributors and/or Services*.Art. 1 Sec. 6

[26] *ibid*.Art. 1 Sec. (4,5,7,8).

[27] Raymond R. Mandra, 'K Mart Corp. v. Cartier, Inc.: Is Countinued Gray Market Importation a Reslut of Gray Sattutory Language or Judicial Legislation?' (1990) 10 Pace Law Review.[252-254].

the domestic license and third parties import these goods to compete in business with the owner of the trademark.

3. Authorized-Use Situation

   This situation occurs when a domestic company who owns the trademark or has the right to use the trademark from a foreign company, which in the agreement states that the goods produced by the domestic company may be sold in its legal territory based on the license. Similar with the two aforementioned situations, parallel import may occur in this situation when the goods are bought and resold to the owner of the trademark's territory by third parties who compete in business with the owner.

Based on these doctrines of the types of parallel import, fundamentally they are same, namely when goods being imported without permit from the intellectual property right holder in parallel with the similar goods being imported by the intellectual property right holder.[28] The types of parallel import shows that there are 3 essential elements in parallel importation.[29]

First, imported goods. Parallel imported goods are often considered counterfeit goods and/or snuggled goods. This assumption arises based on the reason that the high numbers of counterfeit goods and/or snuggled goods that distributed around the country, therefore people are more accustomed to these goods rather than the parallel imported goods. This assumption may not be true considering that goods that came from parallel import practices are in fact legally produced by either the owner of the trademark or the licensee, thus the goods are genuine.[30] However, these goods have been formulated or packaged for certain jurisdictional territory and imported to other jurisdiction territory which is not the territory the owner of the trademark intended.[31] Parallel imported good are also imported into a country through customs by paying the import tax.[32]

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[28] M. Hawin, *Isu-Isu Penting Hak Kekayaan Intelektual Di Indonesia* (n 14).[29].

[29] Yordan Politov, 'Parallel Imports in the Light of Copyright and Trade Mark Right', *Nasional Union of In-House Lawyer* (2011).[8].

[30] M. Hawin, *Intellectual Property Law on Parallel Importation* (n 20).[17].

[31] Agung Budilaksono, 'Sekilas Aktivitas "Impor Paralel" Di Beberapa Belahan Negara' (*BPPK*, 2014) <http://www.bppk.kemenkeu.go.id> accessed 8 November 2017.

[32] *ibid.*

Second, the parties who import good in parallel with the parties who possessed the right to sell and/or produce similar goods. The import may be performed by third parties, licensee, and even the owner of the trademark for certain business purposes. This may create the competition between the parallel imported goods and the owner of the trademark and/or licensee's goods. Moving on to the relation between the owner of the trademark and the licensee based on a voluntary licensing contract which regulates rights and obligations agreed upon by the contracting parties, therefore the parallel import practices can be avoided by creating clause of prohibition of parallel import into the licensing contract.[33] The enactment of the prohibition will provide legal protection for licensees and/or owners of the trademarks who suffer loss due to the parallel import practices. However, this prohibition cannot be applied in matter of the parallel importers are other parties outside the agreement (third parties).

Third, imports practices that performed without permit from the owners of the trademarks and/or licensees. This element may cause legal dispute regarding intellectual property rights violations. Violations occur not solely due to inexistent permits from the owner of the trademark and/or licensees. It is based on an intention "for commercial purposes" which becomes a benchmark for the whether violations occur, especially if goods that are being imported are on small scales (de minimis import).[34]

Exhaustion Rights Doctrine

The problems of parallel import involving cross-border trade on goods protected by right of trademark, creates a conflict of interest between protection of the owner of the trademark and/or licensees and free trade.[35] The conflict may be

[33] Mark J. Davison [*et.,al*], *Australian Intellectual Property Law* (Cambrige University Press 2008).[157].

[34] Rahmi Jened, *Hukum Merek (Trademark Law) Dalam Era Global Dan Integrasi Ekonomi* (Kencana Prenadamedia Group 2015).[228].

[35] Robert Neruda [*et.,al.*], 'Parallel Imports in EU Law' (*Lexology*, 2015) <www.lexology.com> accessed 6 December 2017.

resolved by applying the doctrine of exhaustion right.[36] This causes parallel import practices inseparable from the principle of exhaustion right. Article 6 TRIP's states "for the purpose of dispute settlement under this agreement, subject to the provision of Article 3 and 4 nothing in this agreement shall be used to address the issue of the exhaustion of intellectual property right", it is regulated that the need of dispute resolution is stated under Article 3 and 4 TRIP's. None of the clauses of these agreements may be used to dispute the maximum right of intellectual property rights.[37]

The principle of exhaustion rights is closely related to the first sale doctrine.[38] The first sale is the limitation of the owner of trademarks and/or licensees. They cannot use their exclusive rights to prohibit sales or control the subsequent marketing of their products at the first sale they have done by themselves or with their permissions. This principle focuses on first legitimate of intellectual property right goods effectively eliminate the rights of intellectual property rights owners or licensees to control subsequent dealing of the intellectual property right goods.[39] Therefore, a rights may exhaust when a product is put in market by/with agreement of the licensee. This is based on the first sale the owner of trademarks has done and/or licensees has gained sufficient profits according to their wishes. In other words, exhaustion right is applied when the protected goods are put into market by/with the owner of the trademark's permission,[40] therefore with the existence of exhaustion rights, one who buys goods legally may use or sell it back without having permits from the owners of trademarks and/or the licensees.[41]

In its implementation, exhaustion rightss are divided into 3 (three) doctrines that are national exhaustion rights, regional exhaustion rights, and international

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[36] *ibid*.

[37] Rahmi Jened, *Hukum Merek (Trademark Law) Dalam Era Global Dan Integrasi Ekonomi* (n 34).[219].

[38] *ibid*.

[39] M. Hawin, *Isu-Isu Penting Hak Kekayaan Intelektual Di Indonesia* (n 14).[38-39].

[40] Rahmi Jened, *Hukum Merek (Trademark Law) Dalam Era Global Dan Integrasi Ekonomi* (n 34).[220].

[41] Timothy Toohey and Keith Gregory, 'Parallel Imports and the First Sale Doctrine' (*Journal Corp*, 2011) <www.swlaw.com> accessed 8 November 2017.

exhaustion rights.[42] The national exhaustion right states that restriction on the first sale of intellectual property rights are only applied in certain countries where the first sales are made.[43] In other words, national exhaustion rights cannot be used in different countries. For this reason, the owners of trademarks and/or licensees may prevent parallel import if the first sales are made in different countries. In the implementation, national exhaustion right and regional exhaustion are similar, however both rights have differences in the coverage areas. National exhaustion right are limited to a country, while regional exhaustion right have greater area coverage in adjacent regions, such as the Association of Southeast Asian Nations (ASEAN), European Economic Area (EEA) and so on.

In contrast to national exhaustion right and regional exhaustion right, the implementation of international exhaustion right causes the owners of trademarks and/or licensees unable to control goods that has been sold worldwide with their permits. This clearly shows significance difference in the implementation of national exhaustion right and regional exhaustion right with international exhaustion rights in parallel importation practices. If national exhaustion right and regional exhaustion right are applied, parallel imports may still be in control. However, in the implementation of international exhaustion right, parallel imports cannot be controlled by both owners of trademarks or licensees.

The implementation of exhaustion right and first sale doctrine results in owners of trademarks and/or licensees being unable to fully use their exclusive rights. Fundamentally, the exclusive right possessed by licensees may be used to prohibit unregistered third parties from using the trademarks. However, with exhaustion right implemented, licensees cannot control imports practices anymore. This results in licensees being unable to reach parallel import practices even with the exclusive right they obtained after the first sale.[44]

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[42] M. Hawin, *Isu-Isu Penting Hak Kekayaan Intelektual Di Indonesia* (n 14).[48-64].
[43] M. Hawin, *Intellectual Property Law on Parallel Importation* (n 20).
[44] Agung Sujatmiko, 'Parallel Import in Trademarks' (2013) 25 Mimbar Hukum.[552].

The Parallel Import Dispute Resolution

The absence of legitimate regulations that prohibit parallel import clearly causes licensees suffer loss. Dispute resolution as set out in Law Number 20 Year 2016 also cannot be applied due to reason that parallel imports are not considered as trademark violations. Parallel imported goods enter Indonesian territory in proper customs procedures, therefore the Law Number 10 Year 1995 also cannot hinder the parallel import practices.[45] Although the parallel import practices cannot be stopped, however these practices may be inhibited by enforcing other aspects besides intellectual property rights and customs that related to parallel import practices such as procedural and administrative matters related to the import of goods. The examples are regulation of Indonesian National Standar (SNI) and labelling regulation in Bahasa. According to Law Number 20 Year 2014 concerning Standardization and Conformity Assessment Article 25 Section 4 which reads: "Business actors who import goods are prohibited from trading or distributing goods that are not in accordance with SNI or SNI numbering". The implementation of SNI is performed voluntarily with registering the certification application to Conformity Assessment Institution which is accredited by the National Accreditation Committee or enforced compulsorily which govern under Ministerial Regulation or Head of Government Institution Non-Ministerial Regulation.[46]

In the regulation regarding Indonesian label as set out in Article 2 Section 1 Minister of Trade Regulation Number 73/M-DAG/PER/2015 concerning The Obligation of Inclusion of Labels in Indonesian Language on Goods which reads: "Business actors producing or importing goods to be traded in domestic market must include labels written in Indonesian language". The labels in Indonesian language means any item description in the form of writing, a combination of pictures and writing, or other forms containing information about the goods and business actors, as well as other information included in the goods, inserted into,

[45] M. Hawin, *Intellectual Property Law on Parallel Importation* (n 20).[17].

[46] *Law Number 20 Year 2014 concerning Standardization and Conformity Assessment, (Supplement to Gazette State Number 5584)*. Art. 21 Sec. (2) dan Art. 24 Sec. (1).

affixed/attached to the goods, printed on the goods, and/or part of the packaging of goods.[47] The labels are prohibited from containing information that is incomplete, incorrect and/or misleading for the consumers.[48] Both of these regulations may be applied to parallel import practices if the practices do not follow the regulations. If this regulations are effectively enforced, it will indirectly hinder the parallel import practices, which gradually may eliminate the parallel import practices itself.

In addition, based on the loss, licensees may file lawsuit based on Article 1359 Section 1 BW which reads: "Each payment presumes a debt; each payment made which was not pursuant to a debt may be reclaimed. With respect to gratuitous contracts which one has fulfilled voluntarily, there shall be no reclamation." This article contains unjusr enrichment doctrine, which according to the Black's Law Dictionary is interpreted as:

> "Unjust Enrichment doctrine is general principle that one person should not be permitted unjustly to enrich himself at expense of another but should be required to make restitution of or property or benefits received, retained or appropriated, where it is just and equitable that such restitution be made, and where such action violation or frustration of law or opposition to public policy, either directly or indirectly".

Therefore, licensees have the rights for compensation after the potential gain they should have obtain although there is no element of error in the actions of parties.[49] Even though in reality there are almost no licensees who file loss causes by parallel import dispute due to the reason of licensees continues to gain profits according to their wishes although parallel import practices still occur.

Conclusion

Other parties may utilize the trademarks by joining licensing contracts. The licensing contracts allow the licensees may fully or partly use the exclusive right of the owners of trademarks. Exclusive right fundamentally is considered as monopolistic

[47] *Minister of Trade Regulation Number 73/M-DAG/PER/2015 concerning The Obligation of Inclusion of Labels in Indonesian Language on Goods*. Art. 1 Sec. (5).

[48] *ibid*. Art. 7.

[49] Ernest J. Weinrib, 'Unjust Enrichment' (*UPPEN*) <https://www.law.upenn.edu> accessed 2 January 2018.

right. Based on this character, owners of trademarks may prevent any unregistered parties from using the trademarks or any similar trademarks for commercial purposes. Monopoly rights restrictions are needed for the sake of fair competition.

Parallel import practices occur when goods in certain areas are imported to other areas where other licensees already have licenses on that areas. This clearly causes losses for licensees in the imported areas. Parallel import practices may be prevented by applying national exhaustion right or regional exhaustion right. However, if the international exhaustion right is applied, licensees cannont control import practices after the first sale. Parallel import practices may be inhibited by enforcing regulations regarding goods import such as Indonesian National Standart (SNI) and obligaton to label goods in Indonesian language. moreover, licensees may file lawsuit based on Article 1359 Section 1 BW to receive compensations after the losses licensees has suffered due to the reasons of parallel import practices performed by other parties.

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M. Yahya Harahap, *Tinjauan Merek Secara Umum Dan Hukum Merek Di Indonesia Berdasarkan Undang-Undang No. 19 Tahun 1992* (Citra Aditya Bakti 1996).

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