



Legal Protection of Licensee and Licensor In Licensing Agreements

Erna Tri Rusmala Ratnawati^a, Wiwik Handayani^b, Rizqi Samera Al Farizi^c

^a Universitas Widya Mataram, Yogyakarta, Email: Ernatr2015@gmail.com

^b Universitas Pembangunan Nasional Veteran Jawa Timur, Surabaya

^c Universitas Widya Mataram, Yogyakarta

Abstract

This research discusses how the trademark license agreement can protect the licensee and licensor, the rights and obligations of the parties that arise in the trademark license agreement, and the legal consequences in the event of default. This research is normative research, with a statute approach to the problem. The analysis is focused on laws, regulations, documents, and other references related to brands and license contracts. The brand license agreement must comply with the principles of contract law because the principles of contract law are the foundation that must be obeyed by the parties so that it will not harm either party and can be implemented fairly. In addition, there needs to be an agreement that is mutually beneficial and does not burden each other. In a trademark license agreement, reciprocal rights and obligations occur between the licensee and the licensor. Both parties have mutual rights and both also have mutual obligations so a balanced bargaining position between licensee and licensor needs to be balanced so that there is no imbalance in rights and obligations. A brand license agreement will lead to disputes if the parties do not fulfill their rights and obligations as agreed. If one of them defaults, the other party can demand fulfillment of the engagement; fulfillment of the agreement with compensation; compensation; cancellation of the agreement; or cancellation with compensation. The first step that needs to be taken when a dispute occurs is to resolve the dispute by deliberation to reach a consensus. If not reached, dispute resolution can be seen in the trademark license agreement clause. Settlement of this dispute can be done both inside and outside the court. In addition to carrying out civil lawsuits, criminal charges can also be filed by the aggrieved party.

Keywords: License, Licensee, Licensor, License Contract

a. Introduction

Along with free trade and the globalization of information and communication, the existence of the legal system of Intellectual Property Rights (IPR) which is closely related to technological development and the growth of the trade industry is an important issue that must receive attention and legal protection. As is known, IPR gets protection as a form of appreciation for the time, energy and costs that have been invested to produce works in the form of science, art, technology, or production methods or processes. Therefore, it is very important to provide legal protection for them to continue working to produce something that has commercial value and is beneficial to society. On the other hand, post-reform Indonesia's economic system is expected to provide the widest possible opportunity for the community to develop businesses and participate in national economic development which leads to an increase in people's welfare and it is hoped that domestic businesses and small and medium enterprises can be given the same opportunity to compete *fairly*.

Trademark is part of Intellectual Property Rights (IPR) which has exclusive rights. Exclusive rights are rights that are only given to the owner or holder of the right or monopoly rights that can only be exercised by the owner or holder of the right, while others are not

allowed to use it without the consent of the owner.¹ The owner of the right is the person whose name is registered in the public register of trademarks and has a trademark certificate.

Trademark protection is a form of certainty that the trademark holder must use his trademark. The concept of legal protection of trademark rights refers to the nature of trademark rights that are specific (*exclusive*). Property rights that are monopolistic in nature can be used by others with the permission of the trademark owner, the implementation of the permit is in the form of licensing through a licensing *agreement*.²

License according to Article 1 letter 17 of Law Number 20 Year 2016 on Trademark (hereinafter abbreviated as Trademark Law), is a permit granted by the owner of a registered trademark to other parties based on a written agreement in accordance with the laws and regulations to use a registered trademark. The license granted by the registered trademark owner to other parties through an agreement based on the granting of rights (not the transfer of rights) to use the trademark, either for all or some types of goods and/or services registered within a certain period and conditions. The trademark license is a means for the protection of trademark law, in addition to through the law.³ Basically, the license serves to break through the exclusivity or absolutism of trademark rights, so that others can use a trademark safely and legally. License is a form of freedom of will of the trademark owner in exploiting its exclusive rights. This is in line with the definition of trademark rights contained in Article 1 Point 5 of the Trademark Law that "Trademark rights are exclusive rights granted by the state to the owner of a registered trademark for a certain period of time by using the trademark itself or giving permission to other parties to use it."

In terms of business considerations, licensing can be used as a business expansion strategy for a business actor and at the same time can increase profits. There are several considerations why a businessman grants a license, apart from being unable to carry out his own business, also in order to expand his business or expand the market for his products so that it can exceed the existing market. A license provides benefits in the form of a big name and *good will* of the licensor. The granting of a license allows the licensor to control to a certain extent the management of the licensed business activities without having to incur large costs.⁴

¹ Erna Tri Rasmala Ratnawati, 2016, *Basics of Intellectual Property Rights Law*, Macell Press, Yogyakarta, p. 120

² Rahmi Jened, 2007, *Intellectual Property Rights, Abuse of Exclusive Rights*, Airlangga University Press, Surabaya, p. 170. 170.

³ *Mimbar Hukum*, Volume 22, Number 2, June 2010, Page 25-26

⁴ Zaeni Asyhadie, 2011, *Business Law Principles and Implementation in Indonesia*, Revised Edition. Cet. 5. PT. Raja Grafindo Persada, p. 31

Another opinion says that the granting of a trademark license will bring benefits to both the licensor and the licensee. The advantage for the licensor is that it can avoid large production costs and the possibility of business failure. As for the licensee of the trademark can enjoy the good name of the licensor. In addition, the licensee can also diversify or improve products both quantitatively and qualitatively.⁵

License holders or owners (*licensor*) can make agreements with licensees (*licensee*) regarding anything according to their will based on the principle of freedom of contract. The principle of freedom of contract is regulated in Article 1338 paragraph (1) of the Civil Code which states that every agreement made legally shall apply as a law to the parties who make it. The principle of *freedom of contract* is the principle that gives freedom to the parties to determine the parties, the contents, the form of the agreement.⁶ Likewise, in the trademark license agreement is also applied the principle of freedom of contract, where the parties are given the freedom to formulate the contents of the trademark license agreement in accordance with the agreement of the parties related to the rights and obligations of the parties, royalties to be paid, the period of granting the trademark license and related to the expiration of the trademark license agreement, as well as the dispute resolution mechanism, and the expiration of the trademark license agreement.

However, even though a license agreement has been made, problems or conflicts often arise between *Licensor* and *Licensee*, such as what happened in the license of the famous trademark Cap Kaki Tiga which was heard at the Central Jakarta Commercial Court.⁷ This dispute was caused because the parties did not make a complete and clear agreement, resulting in a dispute between the parties. The subject matter of the dispute is because the licensee does not pay royalties continuously, does not submit reports on the production and or sale of products using the Cap Kaki Tiga brand, and removes the image or logo of Kaki Tiga from the Cap Kaki Tiga product packaging. Because the main obligations were not carried out by the licensee, the licensor filed a lawsuit. In contrast to the Cap Kaki Tiga case, in the Good Year trademark case the problems that arose in the case because the license agreement period was not made clearly, giving rise to a dispute, namely because there was no time limit on how long the license agreement was valid, the defendant could use the Good

⁵ Natali S M Pasaribu, 2004, *Default in Trademark License Agreement*, Institutional Repository of the University of North Sumatra (RI-USU)

⁶ Erna Tri Rasmala Ratnawati, 2018, *Civil Law, Bond Law Series*, Macell Press, Yogyakarta, Page 34

⁷ Bisnis Indonesia, Cap Kaki Tiga Brand License Sued, November 3, 2008

Year trademark indefinitely, which was then disputed by the plaintiff.⁸ Basically, a license in the field of IPR is not merely an act of granting permission, but the act gives rise to reciprocal rights and obligations between one party and the other. The existence of a reciprocal relationship is why the license is an agreement that binds the parties. In the science of law, such an agreement is called an obligatoire agreement. If after a license agreement is made between the registered trademark owner and the licensee then a legal dispute occurs, the license agreement can be used as evidence for dispute resolution due to one of the parties not fulfilling its promises or breaking promises in carrying out its obligations. Conducting legal violations such as using the trademark of a registered trademark owner without permission through a license agreement, is a form of business activity or business that is not only contrary to the law but also violates ethics in business relations by ignoring the rights and interests of registered trademark owners.

The implementation of the license agreement requires that both the licensor and the licensee must perform their performance in a balanced manner. If the trademark license agreement is made with the purpose of misuse of the exclusive rights of trademark rights, the agreement can be canceled based on the general principles of agreement law and applicable provisions. Based on the description, it is important to examine related to how the trademark license agreement made can provide protection to the licensee and licensor? What are the rights and obligations of the parties arising in the trademark license agreement and the legal consequences in the event of default?

b. Research Method

This legal research is normative research, with the problem approach through a statute approach. Normative research is conducted because the analysis is focused on legislation, documents and references, which in this case are related to trademarks and trademark licenses. The data used in this research focuses on secondary data using primary legal legal materials, in the form of legislation, secondary legal materials and tertiary legal materials. Secondary legal materials are obtained from textbooks/literature, research results, journals related to trademarks, trademark licenses, legal protection of registered trademark owners, trademark license agreements, as well as tertiary legal materials in the form of dictionaries used to clarify primary and secondary legal materials. Data obtained from secondary data will

⁸ Decision of the Supreme Court of Indonesia No. 19 K/N/HaKl 2004, Dated February 15, 2005

be processed and analyzed descriptively qualitative, and then analyzed and presented by describing, explaining, describing, and describing to answer the problem.

c. Results and Discussion

1. Efforts So that the Trademark License Agreement Made Can Provide Protection to Licensee and Licensor

Trademark license agreement is not known in the Civil Code so it is categorized as a type of agreement *innominat* (agreement not named), namely the type of agreement that is not regulated or agreements outside the Civil Code. Although the trademark license agreement is not regulated, but in the implementation of the trademark license agreement remains based on the principle of the agreement and is subject to Article 1319 of the Civil Code. Article 1319 of the Civil Code stipulates that all agreements, whether they have a special name or are not known by a certain name, are subject to the general rules contained in the Civil Code. Based on Article 1319 of the Civil Code, it shows that the law does not prohibit making an agreement even though its name is not regulated in the law, even if it is subject to the provisions contained in book III of the Civil Code.

In making a brand license agreement, the principles of contract law are the basis 'that must be obeyed by the parties so that the brand license agreement made does not harm one of the parties and can be implemented fairly and can provide legal protection to both *licensor* and *licensee*. The principle of freedom of contract according to the law of the agreement includes the freedom to make or not to make an agreement; free to determine the name of the agreement, free to determine the contents of the agreement, free to choose and determine with whom to make an agreement; free to determine or choose the *causa* of the agreement to be made; free to determine the object of the agreement; free to determine the form of an agreement whether oral or written, either under hand or authentic; freedom to accept or deviate from the provisions of the law which are optional (*aanvullend, optional*) as long as it does not conflict with the Act, decency and public order.⁹ The principle of freedom of contract really gives flexibility to the parties, both *licensor* and *licensee*, so that the parties are comfortable, objective, balanced and fair in making agreements so that no one feels disadvantaged. Creating a balanced *bargaining* position is very important in making an agreement in order to obtain an agreement that benefits both

⁹ Sutan Remi Sjahdeni in Agus Yudha Hernoko, 2007, *The Principle of Proportionality in Commercial Contracts*, Dissertation, Postgraduate Program, Airlangga University, Surabaya, p.114.

parties so that a symbiotic mutualism between *licensor* and *licensee* is truly created. Before making an agreement, it is necessary to equalize the perception of the purpose of making a brand license agreement so that in the future it does not cause a conflict of interest between the *licensor* and the *licensee*.

Trademark license agreement is basically a cooperation agreement in which the parties both *licensor* and *licensee* want to get benefits, and take advantage of each other's interests so that the targets and objectives of each party are achieved. *Licensee* has an interest in utilizing the brand owned by *licensor* so that its products can be given the same *brand* as *licensor's* which of course already has a good *image* in the community. Meanwhile, *licensor* also has an interest in continuing to promote its brand so that without having to incur promotional costs or open new branches, it has received passive profits from royalties given by the *licensee*. Based on this, it is necessary to have mutually beneficial agreements set forth in the agreement clause so that the agreement is a comfortable limitation and does not burden each other for *licensors and licensee*.

The Civil Code gives the right to the *licensor* and *licensee* parties to make and perform any agreement as long as it fulfills the legal requirements of the agreement stipulated in Article 1320 of the Civil Code. Every agreement made legally shall apply as a law for those who make it (Article 1338 paragraph (1) of the Civil Code), which is reaffirmed by the provisions of Article 1338 paragraph (2) of the Civil Code which states that the agreement that has been agreed upon cannot be withdrawn unilaterally by one of the parties to the agreement without the consent of the opposing party to the agreement, or in cases where the law states sufficient reason for it. Article 1338 paragraphs (1) and (2) seem to be limiting, but in fact it gives the freedom to determine for themselves what the two parties want, meaning that binding as law for the parties does not mean that the clauses in the agreement cannot be changed or replaced, because as long as they are mutually agreed upon, changes can be made at any time. Thus, the key is agreement, so that the *licensor* and *licensee* are more flexible if in the future it turns out that the agreement that has been made does not make a positive contribution, communication can be made to reach a mutually synergistic agreement.

In addition to the principle of freedom of contract, the parties must also fulfill the principle of consensualism. The principle of consensuality is an embodiment of the open system of Book III of the Civil Code. With the open system adopted by Book III of the Civil Code, it provides the widest possible opportunity for the parties to make agreements

that will bind them as law, as long as and to the extent that an agreement can be reached by the parties. The principle of consensualism is outlined in Article 1320 of the Civil Code, where this agreement will give birth to an agreement and give rise to binding rights and obligations. The agreement made by *licensor* and *licensee* must be a legitimate agreement and not defective due to coercion, mistake and fraud (Article 1321 of the Civil Code). The agreement can be done either orally or in writing.

In addition to the two principles mentioned above, in making an agreement must also fulfill the principle of personnel. This personnel principle can be found in the formulation of article 1315 of the Civil Code which is further emphasized by the provisions of article 1340 of the Civil Code. From these two formulations we can know that

- a. Basically, the agreement will only give birth to rights and obligations between the parties who make it.
- b. Basically, a person cannot bind himself for the benefit or loss of a third party, except in the event of an insuring event.

Based on the principle of personnel, the trademark license agreement is only binding to the *licensor* and *licensee* as a party to the agreement and the trademark license agreement must also be recorded for its validity because if it is not recorded it has no legal effect, thus the license agreement is included in the formal agreement.

An equally important principle that must be considered so that the agreement made provides legal protection to the *licensor* and *licensee* is the principle of good faith. Article 1338 Paragraph (3) of the Civil Code regulates good faith as the basis for a person to perform legal acts in making an agreement. If it is proven that when making an agreement based on bad faith, it can result in the cancellation of the agreement. For example, someone who makes a license agreement with the aim of damaging the *brand image of the licensor's* brand, the agreement is based on bad faith which results in a null and void agreement. The principle of good faith is the principle that the parties, namely the *licensor* and *licensee* must carry out the substance of the contract based on the trust or good will of the parties. This principle of good faith can be divided into two, namely relative good faith and absolute good faith. Relative good faith can be known by paying attention to the real attitudes and behavior of the parties. In absolute good faith, the assessment lies in common sense and justice based on objective measures to assess the situation according to objective norms. The parties, both *licensor* and *licensee*, need to be careful because the

fulfillment of the legal requirements of the agreement does not automatically eliminate the right of one of the parties to still request cancellation if the agreement is not carried out in good faith by the parties.

A license agreement is an agreement that aims to ask permission to the *licensor* to use its trademark so that if the *licensor grants a license* to the trademark, it means giving freedom or permission to the *licensee* to use something that previously could not be used. A license agreement is defined as an agreement that contains a provision that the *licensor* for an agreed consideration grants to the licensee certain rights with respect to the licensor's intellectual property.

Article 3 of Government Regulation No. 36/2018 stipulates that intellectual property rights holders have the right to grant licenses to other parties to exercise their exclusive rights. The procedure for conducting a license agreement begins with an application made by the prospective *licensee* to the trademark owner as the licensor (*licensor*). The application is intended as a request for permission from the prospective licensee to use the trademark. Furthermore, if an agreement is reached, a license contract is made. The license is granted based on a license agreement in written form between the licensor and the licensee and in the event that the license agreement is made in a foreign language, it must be translated into Indonesian.¹⁰ The license agreement must be recorded by the Minister and the license agreement at least contains:¹¹

- a. the date, month, year, and place where the License agreement was signed; This date, month, year shows the time when the trademark license agreement is made and at the same time as the basis for calculating the term of the trademark license agreement is given.
- b. names and addresses of the licensor and licensee; The name and address of the licensor is important to determine the domicile of the parties and also related to the determination of relative competence in the event of a dispute in the future.
- c. object of the License agreement; The object of the trademark license agreement here is related to the licensed trademark in the form of images, logos, words, names, numbers, letters as a marker for the trademark licensed by the *licensor* which has been registered in the general register of trademarks.

¹⁰ Article 4 and 5 of Government Regulation No. 36/2018 on Recording License Agreements

¹¹ Article 7 of Regulation No. 36/2018 on Recording License Agreements

- d. the terms of the License are exclusive or non-exclusive, including sublicenses; The provision of exclusive or non-exclusive license, including sublicense is very important to know the rights and obligations between *licensors* and *licensee*. In an exclusive license, licensors can no longer grant licenses to other parties;
- e. term of the License agreement; The term in the trademark agreement is submitted according to the agreement in the trademark license agreement, however, it does not exceed the term of trademark protection granted by the state. The licensor cannot grant a license to the licensee if the intellectual property rights being licensed expires its protection period; or has been abolished. In a trademark license contract there is an obligation of confidentiality on the part of the licensee and there is usually a condition requiring the *licensee* to maintain and preserve certain quality control standards of the licensor's products.
- f. the area where the License agreement is valid; and The validity area of the license agreement must also be emphasized in the trademark license agreement. because it relates to the limitation of commercial use of the trademark licensed by the licensor. Moreover, in non-exclusive license agreements, licensors usually license to many *licensee* covering different regions.
- g. the party making the annual fee payment for the patent. In the license agreement, it needs to be agreed who is obliged to pay the annual fee. However, this annual fee is only imposed for patents, so in a trademark license agreement there is no need for a clause related to annual fees.

Furthermore, in making a trademark license agreement, it is prohibited to contain provisions that can:¹²

- a. detrimental to the Indonesian economy and Indonesia's national interests;
- b. contains restrictions that hinder the ability of the Indonesian people to transfer, master, and develop technology;

¹² Article 6 of Regulation No. 36/2018 on Recording License Agreements

- c. result in unfair business competition; and/or conflict with the provisions of laws and regulations, religious values, decency, and public order.

Trademark license agreements are prohibited from containing provisions that may damage the Indonesian economy or contain provisions that result in unfair business competition as stipulated in Law Number 5 Year 1999 on the Prohibition of Monopolistic Practices and Unfair Business Competition. If the brand license agreement violates Law Number 5 Year 1999. If you are disadvantaged, you can report it to the Business Competition Supervisory Commission (KPPU). Furthermore, in the event that the licensor and/or the licensee of the trademark resides or is permanently domiciled outside the territory of the Republic of Indonesia; or a foreign national, then the application for registration of the trademark license agreement must be submitted through the Power of Attorney.¹³ In the case of intellectual property objects relating to copyright and related rights consisting of several titles or works on intellectual property objects with the same parties in the license agreement, the application for recording the license agreement can be submitted in one application.¹⁴ In practice, an application for registration of a trademark license must attach:

- a. Evidence of a brand License Agreement that has been made by licensor and licensee
- b. Identity of the Applicant and Licensee
- c. Certified Copy of Deed of Establishment of Legal Entity
- d. Trademark Certificate Power of Attorney of IP Consultant with stamp (if using Consultant)
- e. Statement of License Agreement
- f. License Recording Application Letter

Furthermore, after the examination of the application documents, an announcement is made and the Minister issues a letter of registration of the trademark license agreement and notifies the Applicant within a period of no later than 2 (two) days from the date of examination is declared complete and appropriate, the Minister records the License agreement in the general register of trademarks.¹⁵ Furthermore, the recording of the agreement is announced in the official trademark news. Trademark License Agreement

¹³ Article 6 of Regulation No. 36/2018 on Recording License Agreements

¹⁴ Article 9 of Regulation No. 36/2018 on Recording License Agreements

¹⁵ Article 15 of Regulation No. 36/2018 on Recording License Agreements

that is not recorded and not announced, has no legal effect to third parties. The period of recording the trademark license agreement is valid for a period as long as the license agreement is valid. If the period has expired, the applicant can reapply.¹⁶ Amendments to the License Agreement Recording may be amended. License agreement amendments include:¹⁷

- a. the name of the licensor or licensee, or the object of the license agreement; or
- b. changes other than as referred to in letter a.

In the case of an amendment to the License agreement referred to in point 1, the licensor or the licensee shall submit a new application for recording the License agreement. In the case of an amendment to the License agreement as referred to in letter 2, the licensee shall notify the amendment to the License agreement that has been recorded and announced by paying a fee.

In addition to the changes that can be made to the recording of the trademark license agreement, it can also be revoked based on the agreement between the licensor and the licensee; court decision; or other reasons justified under the provisions of the legislation. This revocation can also be done as a manifestation of freedom of contract, although the agreement made legally is binding as the law but that does not mean it cannot be changed or even revoked, as long as there is an agreement then licensor and licensee are free to will as long as it is not contrary to the law, morality and public order.

Basically, the license contract is a guarantee of protection between licensor and licensee because it can be used as a strong and legal basis for the licensee and licensor because in the licensing contract there are reciprocal rights and obligations. For the licensee, the license contract gives the legal right to produce goods or services by using the brand owned by the licensor (licensor) and for the brand owner is a protection as well as a controller that his brand is used by the licensee with permission and knowledge from him. Based on this, the license agreement does not only provide benefits to the licensee, but also the licensor. The benefit for the licensee in this case is the use of the licensor's trademark safely and legally with various inherent advantages.

2. Rights and Obligations Arising in the Trademark License Agreement and Legal Consequences in the Event of Default

¹⁶ Article 17 of Regulation No. 36/2018 on Recording License Agreements

¹⁷ Article 18 of Regulation No. 36/2018 on Recording License Agreements

The agreement made by the parties will give birth to an engagement and give rise to reciprocal rights and obligations between the two parties. Rights on one side become obligations on the other side and vice versa. The making of a license agreement between the registered trademark owner and the licensee must be made in accordance with the mandatory requirements stipulated in Article 1320 of the Civil Code, namely fulfilling the elements of agreement, capability; certain things; and halal causes. If the trademark license agreement that does not meet the elements of the agreement and capability, then the license agreement can be canceled, if one party submits the cancellation of the agreement, unless there is no party who canceled then the agreement can still be implemented. If the trademark license agreement does not meet the elements of a particular thing and a lawful cause, then the agreement can be null and void, meaning that it is considered that there was never an agreement. The provisions regarding null and void are regulated in Article 1335 of the Civil Code, which explains that an agreement without cause, made based on a false or forbidden cause, has no force.

Various types of licenses theoretically and practically can be divided into general licenses and forced licenses or compulsory licenses, however, in trademark licenses in practice only known as general licenses, meaning that the implementation of the license is carried out voluntarily by the *licensor* to the *licensee* because it is done in the context of business interests in the commercial achievement of its business. Trademark license agreement can be entered into exclusively where the *licensor* may not enter into an agreement with any other party, or use his own trademark. On the other hand, a non-exclusive trademark license agreement can also be made where the *licensor* can still be free to grant or enter into a license agreement with other parties and the *licensee* has no rights against third parties and also cannot refuse a sub-license agreement.

Before making an agreement, both *licensors* and *licensee* must have considered which option will be done whether exclusive or non-exclusive license contract because it will affect the rights and obligations between *licensors* and *licensee*. In the exclusive license contract, *licensor* is no longer free to use the trademark because the rights have been handed over to the licensee, therefore in the exclusive license contract the *licensee fee* or *royalty fee* is very high when compared to the non-exclusive one. In addition, the *licensor* as the brand owner also has *quality control standards for the licensee's product* so that the license agreement needs to be stated related to *knowhow*, technical assistance, so that the *licensee* understands and can maintain the reputation of the *licensor's product quality*.

In a trademark license agreement so that the license agreement can run well, it must be clearly and explicitly regulated regarding the rights and obligations of the parties. The law does not explicitly regulate the rights and obligations in the license agreement, it means leaving it entirely to the agreement of the parties to regulate their own rights and obligations. The rights and obligations in the license agreement are reciprocal, that the *licensor's* obligations become the *licensee's* rights as well as the *licensee's* obligations become the *licensor's* rights. In general, the rights of the licensor are as follows:

- a. receive royalty payments in accordance with the agreement;
- b. has the right to use its own brand;
- c. sue for cancellation of the trademark license if the licensee does not perform the agreement as intended.

In addition to these rights, the trademark license agreement also regulates several other rights according to the needs of the *licensor* and *licensee*, namely as follows:¹⁸

- a. exercise control over the implementation and use or utilization of the brand license by the *Licensee*;

This means that *Licensor* has the right to control or supervise the *licensee's* products that use *licensor's* brand so that licensor can guarantee that the *licensee's* product quality standards are the same as *licensor*. Thus, in addition to providing protection to *licensors*, it also provides protection to consumers because consumers are not harmed by buying brands according to the quality they want.

- b. obtain periodic reports on the licensee's business activities;

That the license agreement is a cooperation agreement that aims to be mutually beneficial, therefore the *licensor* certainly has the right to know both the quality and quantity of sales of its products, because the more sales of its products will certainly be related to the value of *royalties* that will be received by the *licensor*.

- c. conduct inspections or supervision to the licensee's work area where it operates its business;

The license contract is basically a cooperation contract between *licensor* and *licensee* that can cross the boundaries of the *licensor's* territory so that by conducting a trademark license agreement indirectly opens a branch without having to spend money because everything is facilitated by the *licensee* and *licensor* only capitalizes on the *brand* or brand

¹⁸ Gunawan Wijaya, p. 53

only. By providing a brand license, the *licensor's brand is* increasingly well-known in the community wherever it is.

- d. Has the right to require the licensee to purchase capital goods and or other goods owned by the licensor;

In the license contract, it is possible to regulate the *licensor's* right to require the *licensee* to provide capital goods to the licensor, but it is not always agreed but according to the needs and agreement between the *licensor* and the licensee. Basically, the licensor's purpose in requiring the licensee to purchase licensor's capital goods is because licensor wants the same product quality standard between licensor's and licensee's products since licensee uses licensor's brand. Licensor's concern is quite reasonable because the good name or image of the brand is currently maintained, because it will have an impact on damaging the image.

- e. Has the right to require the *licensee* to maintain the confidentiality of *licensor's* IPR;

In the license agreement, it is also necessary to regulate the right to confidentiality of *licensor's* IPR so that the *licensee's* obligation to maintain confidentiality must be agreed upon. This is because the *licensor* has an *established* product with its own *brand* which certainly has commercial value that must be protected.

- f. demand the cancellation of the license agreement, if the *licensee* does not perform the obligations as agreed in the license contract.

The right to sue depends on whether the *licensors* will exercise their rights or not because the license contract is a private domain so it depends on the parties who feel aggrieved.

Besides having rights, the licensor also has obligations. The obligations of the licensor (*licensor*) in the trademark license agreement in general are as follows:¹⁹

- a. provide all kinds of information related to the licensed mark, which is required by the licensee to carry out the granted mark license;

Information related to this brand is very important because there should be no mistakes in colors, images, words, letters, logos and others related to brand identity which can later cause problems.

- b. provide assistance to the *licensee* on how to utilize and or use the licensed mark.

¹⁹ Ibid, p. 46

That the granting of brand license although only limited to the brand but the licensee must also adjust to the products owned by the licensor, therefore the licensor has the obligation to provide assistance to the licensee related to the utilization of the brand along with the products in the brand. The licensing business is very risky if it turns out that the licensee's product quality is not in accordance with licensor's standards so that it can damage the licensor's brand image.

c. provide the licensee with all technical information regarding the licensed mark, formula, process, production method and knowledge of the licensed goods so that there is standardization in the product.

d. guarantees the use of the mark from legal defects or claims from third parties;

The licensor must not harm the licensee, therefore the licensor must guarantee that the licensed mark is not problematic and free from third party lawsuits. However, the licensee must also be careful before entering into an agreement to seek information and check the legality of the trademark.

g. provide guidance and supervision on the quality of goods or services produced by the licensee;

Guidance and supervision are very important because it is feared that the *licensee* abuses or utilizes the brand for momentary commercial interests by ignoring the quality of its products so that it harms the good name of the *licensor*.

h. Approval to the licensee, if the licensor submits a request for removal of its mark to the Directorate General of IPR.

The agreement made by the parties is binding as a law, therefore if the licensor wishes to remove the trademark then the licensor is obliged to seek approval from the licensee, lest the licensee's interests are harmed because it is still in the license agreement.

In addition, other opinions related to the licensor's obligations are²⁰

a. The obligation to undertake and ensure that the rights licensed can be used by the licensee.

The licensor must guarantee that the licensed rights will be used by the licensee. Included in this is the licensor's obligation to provide "specifications", "drawings" and information that is sufficient and required by the licensee. That the intention of the

²⁰ Retna Gumanti, 2016, License Agreement in Indonesia, Al-Mizan, ISSN 1907-0985 E ISSN 2442-8256 Volume 12 Number 1 June 2016, 57

licensee to use licensor's brand is to get commercial faster and more by utilizing the brand owned by licensor, so of course licensor before signing the license contract is better if it provides an honest picture related to the commercial value of the licensed brand. Licensor's good faith in this case is needed so that the licensee does not feel deceived or trapped.²¹

b. Obligation to keep the licensed rights in good condition. The licensor in the field of *know-how*, for example, is obliged to keep the information about the licensed *know how* accurate and confidential. In Intellectual Property Rights, confidentiality is very important because behind the confidentiality is the commercial value generated from the thought and hard work of licensors. The disclosure of secrets certainly has an impact on reducing the commercial value for the licensee.²²

c. *Warranty*.

In some license agreements, the licensor will usually include a "*no warranty clause*". With this clause, the licensor does not give any warranty to the licensee, except for what is clearly stated in the license agreement. In this case, it means that *licensor* does not provide a guarantee that the use of the mark will guarantee the *licensee's* profits. Although it does not guarantee profit, at least *licensor* can inform honestly related to the brand it owns associated with market competition so that there is an opportunity or prediction of profit. The absence of guarantee must be fully understood by the *licensee* at the time of signing the license agreement so that if it turns out that the use of the trademark does not have a significant impact on the *licensee's* profit can accept it as a consequence of risk.²³

In addition to the rights and obligations of the licensor, there are also rights and obligations of the licensee, regarding the rights of the licensee are as follows:²⁴

a. use the licensed trademark in accordance with the time period specified in the agreement. Basically, the license agreement is free to determine the time as long as it does not exceed the trademark protection period. The license agreement can be extended in accordance with the agreement. According to the researcher, it takes a long thought to determine the period of time in the trademark license agreement. The length or shortness of the period of time certainly affects the amount of royalties that

²¹ Interview results with resource person DR. Zaki Sierrad, SH, MH, IPR law expert

²² Ibid

²³ Ibid

²⁴ Article 7 of the Draft Presidential Decree on License

must be paid by the *licensee* to the *licensor*. The longer the period of time, of course, the greater the royalties that must be paid, therefore an in-depth analysis is needed related to the impact of the brand on the profits of the licensee's product sales.

b. demanding repayment of the royalty portion that the licensee has paid to the owner of the canceled mark. According to the researcher, this happens when there is a problem that it turns out that the licensed trademark is not the owner of the licensor, so that the royalty given is actually not the right of the licensor. In addition, it could also be because the licensee granted a license exceeding the term of the trademark granted by the state and has not extended the protection.

c. grant further licenses to third parties, subject to agreement;

According to the researchers, whether or not the licensee can grant the license to a third party depends on the nature of the license agreement. If the licensee chooses an exclusive license agreement, the licensee has the right to grant a license to a third party, and it should also be expressly stated in the trademark license agreement made between the licensor and the licensee. Thus, it means that whether or not to grant further licenses depends on the agreement made whether exclusive or non-exclusive license agreement.

d. demand cancellation of the license agreement,

According to the researchers, basically both licensors and licensee are obliged to fulfill the rights and obligations in the license agreement, however, due to the reason that the licensor does not carry out the agreement as it should, the licensee can demand the cancellation of the agreement because any loss can be held accountable for the loss and cancellation of the agreement as a legal result of the default that has been committed.

e. Obtain information relating to the licensed mark, which is necessary for the licensee to carry out the license granted.

According to the researcher, since the *licensee* is required to meet the quality standard of the *licensor's* product, therefore the *licensee* should be given information related to the secrets of the method or process of the licensor's product or service so that the licensee can adjust to the licensor's product standard, however with the obligation to maintain all confidential information belonging to the licensor.

f. Apply for registration of the license agreement

Application for recording the license is submitted jointly signed by both the licensor and *licensee* by attaching the license agreement that has been agreed upon by both parties *licensor* and *licensee*. According to researchers, the obligation to record the license agreement as a legal certainty to provide legal protection to both parties so that only those who register are given the rights and obligations derived from the exclusivity of trademark rights.

g. Take legal action against any infringement of the licensed mark.

According to the researcher, basically in the Trademark Law has been regulated related to legal remedies that can be filed when there is a trademark infringement so that the *licensee* is also entitled to legal protection when there is a violation in the license agreement by the *licensor*. Legal protection against trademark infringement or trademark license can be prosecuted criminally and sued civilly.

The obligations of the licensee are as follows:

a. Obligation to pay royalties;

Paying royalties is the main obligation of the licensee, as a tribute to the trademark owner with its exclusive rights. This is because basically who has a commercial monopoly right to use the trademark is the registered trademark owner. The license agreement is valid according to the period given in the license agreement and during the period of the license agreement is obliged to pay royalties to the trademark rights holder, unless otherwise agreed. There is no regulation on how much royalties should be paid so that royalties are paid based on the agreement of both parties guided by the agreement of professional organizations.²⁵

b. request the recording of the license agreement to the Trademark Office;

Every license agreement must be recorded or registered because the license agreement has no legal effect if it is not recorded, therefore the licensee is obliged to make a record so that the license agreement made is valid and has legal consequences.

c. maintain the quality of goods or services produced in accordance with the quality standards of goods or services of the licensed brand,

According to the researcher, the *licensee* must be able to maintain the quality of the product in accordance with the quality of the *licensor's brand products*, because the

²⁵ Iswi Hariyani, 2010, *The Correct Procedure for HAKI (Intellectual Property Rights). Discusses coherently and in detail the procedures for managing intellectual property rights*, Pustaka Yustisia, Cet. 1. Yogyakarta, pp. 49

utilization of the brand through a license is very influential on the good name or image of a *licensor's brand image*. The risk in the license agreement is when it turns out that the *licensee* does not meet the *licensor's product* standards and consumers finally think that the *licensor's* products no longer get a positive response from the public. The public actually never knows whether it is *licensor's* or *licensee's* product, all the public or consumers know is that the product is *licensor's* product because the owner of the brand is licensor.

- d. provide reports - reports periodically or at the request of the licensor related to the brand concerned.

According to researchers, when the parties agree to enter into a license agreement, both parties must trust each other and maintain that trust with each other. To maintain that trust, the licensee must make reports related to the production and sales of products that use the licensor brand. Likewise, in the license agreement the licensee must be fully responsible for maintaining the licensor's brand image, therefore the licensee must make reports related to the trademark it uses whether there is a violation or not, for example containing violations of the relevant trademark committed by third parties.

- e. Obligation to maintain confidentiality

According to the researcher, in addition to maintaining the product quality of the brand, the licensee must also maintain all confidential information belonging to licensor, because the commercial value of the brand includes confidential information in producing goods and services. That the licensee creates the following products by labeling its products with the mark

- f. Obligation to fulfill and comply with the requirements of applicable laws and regulations.

In addition to fulfilling the clauses in the trademark license contract, the licensee must also fulfill the rules of public law governing licensing so that the license contract made does not conflict with the law, decency or public order.

In accordance with the provisions of Article 48 paragraph (1) and (2) UUM in the event that a trademark is canceled on the basis of equality in its principal or entirety with the trademark of another person, the licensee in good faith remains entitled to continue to implement it as another trademark that is not canceled until the expiration of the license agreement period. The licensee is no longer obliged to continue the royalty payments that

should still be obliged to the licensor of the canceled trademark, but is obliged to make royalty payments to the owner of the non-canceled trademark. In addition to these rights, the licensee is also entitled to file a lawsuit for infringement of trademark rights, if the trademark he uses on the basis of the license agreement is infringed by others unlawfully.

When considering the respective rights and obligations of the parties in the License agreement, it proves that the license agreement is reciprocal, meaning that what is the right of the licensor is the obligation of the licensee, and vice versa. Regarding the rights of the licensee, it turns out that in this case his position is also strong, meaning that he has an equal position in terms of requesting the cancellation of the license agreement if the licensor does not carry out as it should. While the obligation to record the license agreement is imposed on the licensee, this is a logical thing, because the initiative for the license agreement actually comes from the licensee. On this basis, it can be said that the licensee has a greater interest in the trademark to be licensed. The recording of the license agreement is an obligation as mandated in Article 42 paragraph (3) and (4) UUM which states "the license agreement shall be requested for recording at the Directorate General. The recording of the trademark license agreement is beneficial for the legal protection of the licensor and licensee. Through the trademark license contract, it can conduct legitimate and legal business activities to be able to use or market the trademark that does not belong to him. Thus the license agreement becomes a means for the company to protect its brand from infringement actions that can be done by various parties who have bad faith. Thus, in addition to providing benefits to the trademark owner, the license contract provides benefits to the licensee because it can use other people's marks legally and safely without worrying about lawsuits.

Protection carried out by licensor against licensee is inseparable from licensee's good faith in implementing the agreement they made while if licensee makes default licensor submits a subpoena first, then if there is no response from licensee then licensor can file a lawsuit to the Commercial court or can go through out-of-court settlement through arbitration and alternative dispute resolution.

In an agreement in general and a trademark license in particular, there are certainly rights and obligations that must be fulfilled. However, in practice sometimes these rights cannot be fulfilled, resulting in disputes between the parties. Therefore, it is important to know the scope of the regulation of the rights and obligations of the parties in the trademark license, what factors cause default and how the settlement is given in the license agreement.

Factors causing default are usually the quality of the licensed goods, the term of the agreement, and royalties. Dispute resolution is usually done by deliberation and through court or arbitration and alternative dispute resolution.²⁶ Based on this, every license agreement needs to regulate the rights and obligations in the license agreement clause between the *licensor* and *licensee* so that there is a balance. In addition, there needs to be joint supervision between the *licensor* and *licensee* so that there is no default that harms both parties and dispute resolution that is beneficial to both parties should be prioritized, this is usually done by deliberation and arbitration and dispute resolution.

In the trademark license agreement between the parties can lead to disputes or disputes if the parties do not fulfill their respective rights and obligations as agreed. If the other party defaults, then the other party can demand fulfillment of the agreement; fulfillment of the agreement with compensation; compensation; cancellation of the agreement; cancellation with compensation.

Usually in a trademark license agreement if there is a dispute between the parties then the first will resolve the dispute by consensus. Furthermore, if consensus is not reached, the settlement of disputes between the parties can be seen in the clause of the trademark license agreement, whether it is stipulated to be brought to court or out of court, namely through arbitration or other alternative dispute resolution institutions. If submitted to the Court, then the settlement of the trademark license agreement dispute can be filed a lawsuit to the Commercial Court as agreed.

g. **Conclusion**

Efforts so that the trademark license agreement made can provide protection to Licensee and Licensor, among others, that in making a trademark license agreement must meet the principles of contract law because the principles of contract law is the basis 'that must be obeyed by the parties so that the trademark license agreement made does not harm one of the parties and can be implemented fairly and can provide legal protection to both licensor and licensee. The need for a mutually beneficial agreement outlined in the clause of the agreement so that the agreement as a comfortable limitation and not mutually burdensome for licensor and licensee and create a bargaining position between licensor and licensee because the more balanced the bargaining position, the fairer the contents in the clause of the trademark license agreement. Before making an agreement, the parties must fully

²⁶ Muhammad Setya Ady Syarifuddin, Dispute Resolution in Trademark License Agreement, Simbur light, Faculty of Law, Sriwijaya University, ISSN: 1410-0614E-ISSN: 2684-9941, p. 67

understand what clauses will be included in the agreement, so that when signing it, they already know what risks to face so as to minimize conflict between the parties.

In the trademark license agreement reciprocal rights and obligations occur between licensor and licensee, both have mutual rights and both also have mutual obligations, which rights and obligations have been set forth in the agreement clause agreed upon by both parties. Trademark license agreements cause disputes if the parties do not fulfill their rights and obligations as agreed. If one party defaults, then the other party can demand the fulfillment of the agreement; fulfillment of the agreement with compensation; compensation; cancellation of the agreement; cancellation with compensation. In addition to civil lawsuits, criminal charges can also be filed. That the agreement made will be binding as law, therefore the parties should be committed to carrying out their rights and obligations, as well as if there is a conflict, it should also be discussed together to get an agreement in resolution so that it remains in the context of not harming each other or win win solution.

BIBLIOGRAPHY

- Agus Yudha Hernoko, 2007, *The Principle of Proportionality in Commercial Contracts*, Dissertation, Postgraduate Program, Airlangga University, Surabaya
- Endang Purwaningsih, 2012, *Intellectual Property Rights and Licenses*, Mandar Maju, Bandung.
- Erna Tri Rasmala Ratnawati, 2016, *Basics of Intellectual Property Rights Law*, Macell Press, Yogyakarta
- , 2018, *Civil Law*, Bond Law Series, Macell Press, Yogyakarta
- Gunawan Widiaya, 2012, *License Business Law Series*, Raja Grafindo Persada, Jakarta
- HS Salim, 2006. *Development of Contract Law Outside the Civil Code*, Jakarta: RajaGrafindo Persada.
- Henry Campbell Blach MA, 1991, *Black Law Dictionary*, West Publishing Co, St.Paul Mini
- Iswi Hariyani, 2010, *The Correct Procedure for HAKI (Intellectual Property Rights). Discussing coherently and in detail about the procedures for managing intellectual property rights*, Pustaka Yustisia, Cet. I. Yogyakarta
- Mariam Darus Badruzaman, 2018. *Indonesian Property Law in Development*, Citra Aditya Bakti. Bandung
- Muhammad Setya Ady Syarifuddin, *Dispute Resolution in Trademark License Agreement*, Simbur light, Faculty of Law, Sriwijaya University, ISSN: 1410-0614E-ISSN: 2684-9941
- Mimbar Hukum, Volume 22, Number 2, June 2010
- Mujiyono and Feriyanto, 2017. *Practical Book of Understanding and How to Obtain Intellectual Property Rights*, Sentra HKI LPPM Yogyakarta State University, Yogyakarta
- Natali S M Pasaribu, 2004, *Default in Trademark License Agreement*, Institutional Repository of the University of North Sumatra (RI-USU)
- Retna Gumanti, 2016, *License Agreement in Indonesia*, Al-Mizan, ISSN 1907-0985 E ISSN 2442-8256 Volume 12 Number 1 June 2016

- Rahmi Jened, 2007, *Intellectual Property Rights, Abuse of Exclusive Rights*, Airlangga University Press, Surabaya
- Soerjono Soekanto and Sri Mamudji, 2001, *Normative Legal Research A Brief Overview*, First Edition, Mold V, PT Raja Grafindo Persada, Jakarta
- Syeren Kasenda, 2017, *License Agreement Between Registered Rights Owner and Licensee According to Law Number 20 Year 2016 on Trademarks and Geographical Indications*, Lex Privatum Vol. V/No.9/Nov/2017
- Tim Lindsey, et al (ed.), 2005, *Intellectual Property Rights. An Introduction*, Bandung: Alumni.
- Zaeni Asyhadie, 2011, *Business Law Principles and Implementation in Indonesia*, Revised Edition. Cet. 5.
- Cap Kaki Tiga Brand License Sued", *Bisnis Indonesia*, November 3, 2008.
- Civil Code
- Law Number 5 Year 1999 on the Prohibition of Monopolistic Practices and Unfair Business Competition
- Law Number 20 Year 2016 on Trademarks and Geographical Indications
- Regulation No. 36/2018 on Recording License Agreement
- Draft Presidential Decree on License
- Supreme Court Decision No. 19 K/N/HaKl 2004, Dated February 15, 2005