



Legal Protection of Licensee Holders Responding to Trademark Cancellation From The Perspective of Legal Certainty

Raden Handiriono¹, Dharliana Hardjowikarto², Fuji Kresna Tuplihan³

¹ Faculty of Law, Swadaya Gunung Jati University, Indonesia.

² Doctoral of Law, Swadaya Gunung Jati University, Indonesia.

³ Faculty of Law, Swadaya Gunung Jati University, Indonesia.

Corresponding Author: Fuji Kresna Tuplihan, E-mail: fuji.124010011@ugj.ac.id

| ABSTRACT

Economic and technological developments encourage increasingly diverse business competition, so brands are needed to differentiate goods or services. Trademarks must be registered to gain legal protection, and allow their owners to grant permission to use through a license agreement. Through a trademark license, the trademark owner can expand his or her business reach, while the licensee acquires the right to use the trademark in commercial activities. However, problems arise when the trademark that is the object of the license agreement is canceled, either through a court decision or an administrative decision. This creates legal uncertainty for licensees who have acted in good faith and legally executed the agreement. This research aims to analyze the legal protection for licensees for trademark cancellation from the perspective of legal certainty. This research method uses a normative juridical. The concludes of the research show that regulations regarding trademark licensing in Indonesia still have legal gap related to the consequences of trademark cancellation, thus creating uncertainty and potentially harming licensees in good faith.

| KEYWORDS

Trademark Licensing, Trademark Cancellation, Legal Protection.

I. INTRODUCTION

In general, economic and technological progress will definitely have the potential to give rise to legal problems in the business world so that legal protection is needed. Therefore, intellectual property rights are the most important part in maintaining industrial and trade advantages to improve the economy of a country [1]. Intellectual Property Rights are the rights to property derived from human intellect expressed in the form of works that are useful for daily life. The scope of intellectual property rights is very broad, one of which is industrial property rights consisting of trademark rights.

Brands have a very important role in modern economic activities. It is not only a symbol of differentiation between one product and another, but also a marker of reputation, quality assurance, and strategic tool in building consumer trust. This is obtained through the process of innovation and creativity so that it has economic value[2]. In trade practice, the existence of a brand is often a high-value asset for business actors. Therefore, legal protection of trademarks not only serves to protect the interests of their owners, but also to maintain fairness and balance in the trading system.

Trademark rights provide protection that can be used in trade with the aim of distinguishing a product. Based on the law regarding trademarks, to be recognized as the owner of the trademark and get protection for the trademark rights it is necessary to register on the trademark first. This is because a brand is only recognized for its existence if it has been approved by the Directorate General of Intellectual Property. One form of utilizing trademark rights is through a license agreement. Through a license, the trademark owner gives the right to another party to use his trademark in business

activities on certain terms and periods. Legal relationship between licensors (Licensor) and licensees (licensee) is civil in nature and is born from the agreement of both parties. A trademark license is a license granted by the owner of a registered trademark to another party through an agreement based on the grant of the right to use the trademark in commercial activities. With a license, the licensee can use the trademark legally, while the ownership remains in the hands of the trademark owner [3].

However, in practice, problems often arise when the trademark that is the object of the license is canceled. Trademark cancellation can occur for various reasons, such as similarities in principle with other trademarks that have been registered, registration is carried out in bad faith, and violations in the form of imitation and misuse so that they can harm the legitimate owner of the trademark [4]. When the cancellation occurs, a fundamental question arises as to the legal standing of the licensee who has executed the agreement based on the trademark. Is the licensee's rights automatically deleted, or does it still have certain legal protections on the basis of the agreement that has been agreed?

The existence of trademark licenses is clearly regulated in Law No. 20 of 2016 concerning Trademarks and Geographical Indications. The law gives the trademark owner the legitimacy to allow the use of his trademark by other parties, either for part or all of the types of goods or services registered. This regulation explains that the license agreement applies throughout the territory of the unitary state of the republic of Indonesia, unless the parties stipulate different terms in the contract [5]. A serious problem with trademark rights is the absence of detailed provisions governing the cancellation of trademarks that have been legalized and executed by the licensee. This creates a legal vacuum that has the potential to cause legal uncertainty, especially for licensees who have a business with the brand.

The principle of legal certainty requires that there be a legal basis and legal consequences. In the context of a license agreement, the principle of legal certainty requires to be able to guarantee the rights of the licensee in the event of a trademark cancellation that is still bound by the agreement and the licensee's rights cannot be unilaterally abolished unless there is a law that clearly provides for the removal of the licensee's rights due to the cancellation of the trademark.

This problem has a great impact on small and medium business actors as licensees who are in a weak position. Trademark cancellation can cause economic losses and loss of business opportunities that are beyond their control, so proportionate legal protection is needed. Another impact of this problem can disrupt the stability of the world of work because the investment climate is inconsistent. Investors and business actors will be hesitant to enter into a license agreement because there is no certainty that these rights will remain protected in the long term. In the long run, this can disrupt trust in the intellectual property legal system in Indonesia.

Previous research on trademark licensing still has limitations, but there have been many studies that have discussed the attachment of licensing agreements to trademarks. First, Feryando, et al. (2024) explained that legal action against trademark infringement related to unfair business competition can be carried out through the removal or cancellation of trademark registration submitted by the original owner. This research only focuses on the reasons for trademark removal and cancellation [6].

Second, research conducted by Milyardi (2022) discusses the application of the law against trademark infringement and legal protection for trademark licensees if a trademark is counterfeited or disguised which will result in the contamination of a brand in the eyes of the public. The research only focuses on litigation and non-litigation dispute resolution efforts that can be pursued by the licensee/recipient [7].

Third, Rahmadany (2021) argues that the act of counterfeiting or using another person's trademark without permission is a violation of the law and can be sued based on Article 1365 of the Civil Code and Law Number 15 of 2001 concerning Trademarks. The trademark owner has the right to demand compensation, both material and immaterial, and request the termination of the use of the trademark by the perpetrator of counterfeiting. This research only focuses on trademark rights violations that can harm the public and brand owners [8].

From the overall research above, it can be concluded that the majority of studies discuss legal remedies related to trademark registration and legal protection guarantees for trademark owners, while this research to answer the main question about what form of legal protection can be provided to licensees if the trademark on which the agreement is based is canceled. The research is carried out through a normative juridical method, namely by examining positive legal norms, legal principles, and doctrines relevant to the problem. This approach was chosen to explore the strengths and weaknesses of existing norms, as well as to formulate views that can strengthen the principle of legal certainty for licensees.

Thus, this research is expected to contribute to the development of intellectual property law in Indonesia, especially in

terms of affirming the legal status of license agreements after trademark cancellation. This research also aims to provide recommendations so that the legal protection system for licensees can run a balance between the interests of brand owners, licensees, and the public interest in maintaining fairness and certainty in the field of trade.

II. METHODOLOGY

This research uses a normative juridical method, which is a method that focuses on the research of historical materials or secondary data such as applicable legal norms and legal principles that are the basis for regulating trademarks and licenses [9]. This approach is used because of the problems studied regarding clarity and legal protection for licensees in the event of trademark cancellation, which is based on an analysis of laws and regulations, legal principles, and the views of legal experts, not on empirical data in the field. Through this method, law is understood as a written norm that regulates human behavior and legal relations between legal subjects in the field of intellectual property.

In this research, several legal approaches were used, namely the statute approach, conceptual Approach, and a case approach. The legislative approach is carried out by examining Law Number 20 of 2016 concerning Trademarks and Geographical Indications, as well as Government Regulation Number 36 of 2018 concerning the Registration of Intellectual Property License Agreements [10]. A conceptual approach is used to understand the meaning of legal protection and the principle of legal certainty as stated by experts such as Hans Kelsen, Gustav Radbruch, and Satjipto Rahardjo [11]. Meanwhile, the case approach is carried out by examining several court decisions related to trademark cancellation and the implementation of license agreements to see how the application of these legal norms is in practice.

The legal materials used consist of primary legal materials, such as laws and regulations and court decisions; secondary legal materials, such as books, scientific articles, and legal expert opinions; as well as tertiary legal materials, such as dictionaries and legal encyclopedias. All legal materials are collected through literature studies (Library Research) and analyzed qualitatively, i.e. by systematically describing and interpreting relevant legal norms. Qualitative analysis is carried out to find the relationship between applicable norms, legal theory, and the principle of legal certainty, so that an in-depth understanding can be obtained of the ideal form of legal protection for the licensee if the trademark that is the object of the agreement is canceled [12].

III. RESULTS AND DISCUSSION

A trademark is a mark used to distinguish a product from other products. The sign can be in the form of names, pictures, words, rows of letters or numbers and also color combinations. Trademarks in the world of sales serve as a trademark. The brand is usually placed on the product packaging or on the product itself. Trademarks are also a guarantee of the quality of the goods produced by a company [1]. Someone who wants to use a brand for their business must have a brand registration first. However, in the trademark registration process, there are often trademark registration applications made by more than one person.

Trademark rights are rights granted by the state to trademark owners [1]. Trademark rights can also provide legal protection guarantees for trademark owners in the event of trademark impersonation and in the event of unauthorized use of the trademark in bad faith. The trademark owner also has the right to grant permission to another party to use his trademark within a certain period of time and must go through a license agreement.

The protection system in Indonesia is called first to file principle i.e. a person who registers a trademark first, he is entitled to get the rights to his trademark but this system can apply if there is no lawsuit against the trademark due to bad faith in the use of the trademark rights [1]. Therefore, the absolute requirement that must be met for a trademark to be given legal protection is that the trademark must have sufficient distinguishing power to distinguish it from others. In addition, trademark registration must be based on good faith.

Good faith is known as a substantive requirement within the brand. Law Number 20 of 2016 concerning Trademarks and Geographical Indications stipulates that a trademark cannot be registered on the basis of an application submitted by an applicant in bad faith. The element of the applicant in bad faith according to the explanation of Law Number 20 of 2016 concerning Trademarks and Geographical Indications is the appropriate Applicant.

The owner of the trademark is also given the right to use himself or to give permission to others to use it as he himself uses it. Granting permission to another person This is referred to as licensing, which allows another person to use the trademark for a certain period of time in the same way that the trademark owner does [1].

Law Number 20 of 2016 Article 42 concerning Trademarks and Geographical Indications states that the license agreement must be recorded by the minister so that the license agreement has legal consequences, meaning that if there

is no registration of the minister, the license agreement will not have legal consequences. If the trademark owner grants a license then the trademark owner can still use the trademark, this is regulated in Article 43 of the same regulation. However, if there is a problem regarding the cancellation of a trademark that is still bound by the agreement, Law No. 20 of 2016 concerning Trademarks and Geographical Indications does not explain the cancellation of a trademark that is still bound by the agreement. This regulation only discusses the removal of trademark rights that can be done by the trademark owner even if the trademark is still bound by the agreement, the process can be carried out with the written consent of the licensee. However, the removal of trademark rights can also be done by a third party if the trademark has not been used for 3 years. This regulation only states that trademark cancellation can be filed within a period of 5 years from the registration of the trademark and a lawsuit for the cancellation of trademark rights can be filed if there is an element of bad faith or the trademark is contrary to the ideology of the state. From a regulatory point of view, Law Number 20 of 2016 concerning Trademarks and Geographical Indications is the main basis in the regulation of brand licensing. Article 42 of Law Number 20 of 2016 concerning Trademarks and Geographical Indications states that the owner of a registered trademark can grant a license to another party based on a written agreement that must be registered with the Directorate General of Intellectual Property in order to have legal consequences against third parties. However, this law does not provide an explanation of the legal consequences that occur for the licensee if the trademark is later cancelled.

The existing arrangement only provides an explanation of the legal consequences for the licensee if the trademark is removed by the trademark owner. Based on Article 72 paragraph (1) of Law Number 20 of 2016 concerning Trademarks and Geographical Indications that the Removal of a registered Trademark can be submitted by the owner of the Trademark concerned to the Minister. Then, Article 72 paragraph (3) of Law Number 20 of 2016 concerning Trademarks and Geographical Indications states that in the event that the Trademark as referred to in paragraph (1) is still bound by the License agreement, deletion can only be done if it is approved in writing by the Licensee. Therefore, the licensee can still use the trademark even if it has been removed by the trademark owner.

Legal protection for licensees holders responding to trademark cancellation is an interesting issue to research because it concerns the balance between the interests of trademark owners, licensees, and the principle of legal certainty in the Indonesian intellectual property system. In modern business practices, brand licensing is one of the important instruments in expanding the reach of the business and optimizing the economic value of a brand. However, the legal relationship born from a licensing agreement is often disrupted when the trademark that is the object of the license is canceled, either through a court ruling or an administrative decision from the Directorate General of Intellectual Property. This situation creates tensions between justice, certainty, and legal utility, as licensees in good faith have the potential to lose economic rights due to cancellations that are beyond their control.

Theoretically, legal certainty has a central role in building trust in the law and the business world. Legal certainty is the basis for the birth of legal protection. If there is no legal certainty, the written regulation cannot be ratified and enforced. Laws that can provide legal certainty can provide a definite arrangement in the treatment of the community [13]. Hans Kelsen in Pure Theory of Law emphasizing that law is a hierarchical system of norms, where the validity of a legal action depends on the applicability of norms on it. The law can only function properly if it provides clarity on the consequences of a legal action. In relation to trademark licensing, legal certainty demands that any agreement that has been made and registered by the competent authority has a stable binding force, not easily abolished by a change in the legal status of the object of the agreement. This view was reinforced by Gustav Radbruch, who viewed legal certainty as a fundamental value that should not be sacrificed without a valid reason, because without certainty, law would lose its authority as a tool of society regulation. The existence of the principle of legal certainty is a form of protection against arbitrary actions, which means that a person will and can obtain something expected under certain circumstances [14]. Thus, from the perspective of legal theory, trademark cancellation should not necessarily remove the rights of the licensee that have legitimately arisen under the agreement.

This view is in line with the idea of legal protection put forward by Philipus M. Hadjon, that the state must provide legal protection to its citizens through two forms, namely preventive and repressive legal protection. In the case of trademark licensing, a form of preventive protection should be realized through regulations that provide certainty about the legal consequences of trademark cancellation, while repressive protection can be realized through a mechanism of compensation or compensation for aggrieved licensees. Salmond's view reaffirms the function of law as a harmonizer of various interests by limiting human action, so that one's interests need to be regulated and protected. Legal protection was then born from the rules agreed upon by the community to regulate relationships between individuals [15].

On the other hand, Satjipto Rahardjo reminded that the law must be oriented towards humanity and substantive justice.

This means that the law must not stop at rigid normative texts, but must be able to provide protection to parties with good intentions so that they are not harmed by the emptiness or rigidity of norms [16]. In the case of trademark cancellation, this progressive approach can be a temporary solution in filling the legal void that has not been expressly regulated by laws and regulations. The legal consequences of the cancellation of trademarks that are still bound by the license are not regulated in Law Number 20 of 2016 concerning Trademarks and Geographical Indications, thus causing legal uncertainty about the legal status of the licensee, whether the licensee can still use the trademark or not.

The absence of this norm raises serious problems, because the cancellation of a trademark is *ex tunc*, i.e. retroactive as if the trademark had never been registered, which can have direct implications for the validity of the license that relies on the trademark, even though the licensee has carried out its obligations legally and in good faith.

Government Regulation Number 36 of 2018 concerning the Recording of Intellectual Property License Agreements has also not provided an adequate answer. In this regulation, it is stated that the registration of the license can be deleted if the agreement expires or at the request of the parties. There is not a single provision that states that trademark cancellation is one of the reasons for the deletion of the license registration. This creates room for legal interpretation, whether the cancellation of the trademark automatically removes the license, or whether the license remains valid until the term expires according to the agreement. This ambiguity shows the weakness of legal protection for licensees, as regulations do not provide explicit guarantees of legally acquired rights.

When analyzed based on the legal principles of agreements in the Civil Code, the license agreement is basically subject to the principle of *pacta sunt servanda* as stipulated in Article 1338 of the Civil Code, which states that every legally made agreement is valid as law for the parties. This means that as long as the license agreement is made with the conditions of the validity of the agreement and does not conflict with the law, then the agreement should still have binding force even if the trademark is later canceled. Trademark cancellation may remove the protection of trademark rights administratively, but it should not remove all legal consequences of the license agreement that has been agreed upon and executed. If the law is interpreted too formalistic without paying attention to the principles of justice and propriety as stipulated in Article 1339 of the Civil Code, then the law will actually create uncertainty that is contrary to the purpose of the formation of the law itself.

From the perspective of international law, the TRIPS (Trade-Related Aspects of Intellectual Property Rights) Agreement provides the basis that member states are obliged to provide effective legal protection for intellectual property licensees and licensees[1]. Although TRIPS does not explicitly regulate the legal consequences of trademark cancellation against licenses, the basic principle of this agreement emphasizes the protection of parties in good faith. Thus, licensees who have been operating under the lawful permission of the trademark owner should be protected from losses resulting from administrative or judicial decisions that invalidate the trademark. In many countries, including Japan and Germany, trademark cancellation does not necessarily remove a license that is already running, but rather is regulated through a compensation mechanism or transition period. This principle can be used as a reference for Indonesia in strengthening legal protection in the field of brand licensing.

When viewed from the point of view of legal certainty, the current conditions still cause normative and practical uncertainty. The licensee is in a weak position because his rights are highly dependent on the status of the brand which can be cancelled at any time. In situations like this, the application of progressive legal theory becomes important. The law should not be silent when the existing provisions have not provided adequate protection. Judges and policymakers must have the courage to interpret the law with the principles of substantive justice in mind, for example by acknowledging that the license remains valid until the end of the agreement period, or that the licensee is entitled to compensation in the event of trademark cancellation. This approach will maintain a balance between legal certainty and a sense of justice, while also signaling that the law is there to protect those who are in good faith.

Through this normative analysis, it can be concluded that the issue of trademark cancellation against the license agreement is still a legal gap in the Indonesian intellectual property legal system. The Trademark Law and its implementing regulations have not provided explicit provisions regarding the legal status of licenses after trademark cancellation, thus creating legal uncertainty for licensees. Therefore, there is a need for a legal reform that emphasizes that trademark cancellation does not automatically remove the license agreement, unless there is evidence that the licensee is acting in bad faith. The reformulation of such norms will create a balance between legal protection, certainty, and justice in trademark licensing practices in Indonesia.

IV. CONCLUSION

Legal protection for licensees against trademark cancellation in Indonesia still does not provide adequate legal certainty. Although Law Number 20 of 2016 concerning Trademarks and Geographical Indications has regulated licensing, this provision has not expressly stipulated the legal consequences if the trademark that is the object of the license is canceled. The absence of this norm creates uncertainty for licensees who are in good faith and have fulfilled their obligations in accordance with the agreement.

REFERENCES

- [1] T. Marlina, R. Handiriono, D. Hidayat, Solichin, and Ismayana, *Textbook of Intellectual Property Law*. Yogyakarta: Deepublish, 2024.
- [2] R. Handiriono, S. Gunawan, S. Karina, and I. Kamil, "Juridical Review Reconstruction Regulation of Copyright As A Material Guarantee," *Cirebon Annu. Multidisciplinary Int. Conf.*, vol. 1, no. 1, pp. 87-95, 2024.
- [3] Feriyanto and Mujiyono, "Understanding and How to Obtain Intellectual Property Rights," *LPPM UNY/UNY Center for Intellectual Property Rights*, pp. 39-40, 2017.
- [4] R. Handiriono, I. Maulida, and I. Kamil, "Redefinition of Famous Brand Related to The Application of Trademark Law Based on The Principle of Legal Certainty," *Cirebon Int. Conf. Educ. Econ. Proceeding*, vol. 1, no. 1, pp. 517-521, 2024.
- [5] U. Suratno and R. P. Faujura, *Intellectual Property Rights Law in Indonesia*. Yogyakarta: K-Media, 2024.
- [6] A. A. Feryando, L. Nadriana, S. Zanariyah, R. Santina, and R. Renaldy, "Legal Analysis of Trademark Licensing Agreements in the Practice of Unfair Business Competition," *J. Researcher. Huk.*, vol. 03, no. 01, pp. 72-79, 2024.
- [7] Milyardi, "Legal Remedies Taken by Trademark Licensees from License Infringement in Indonesia," *J. Notarius*, vol. 1, no. 2, pp. 259-267, 2022.
- [8] R. Rahmadany, "License Agreement as an Effort to Overcome Brand Counterfeiting," *J. Polytechnic Institution. Ganesha Medan*, vol. 4, no. 2, pp. 259-271, 2021, doi: 10.33395/juripol.v4i2.11144.
- [9] S. Soekanto and S. Mamudji, *Normative Law Research: A Brief Review*. Jakarta: Raja Grafindo, 2009.
- [10] J. Ibrahim, *Theory and Method of Normative Legal Research*. New York: Bayumedia, 2005.
- [11] P. M. Marzuki, *Legal Research*. Jakarta: Kencana Prenada Media Group, 2009.
- [12] L. J. Moleong, *Qualitative Research Methodology*. Bandung: Rosda Karya, 1989.
- [13] Margono, *The Principle of Justice, Utility, and Legal Certainty in Judges' Decisions*. Jakarta: Sinar Grafika Publisher, 2019.
- [14] Sudikno Mertokusumo, *Chapters on Legal Discovery*. Bandung: Citra Aditya Bakti, 1993.
- [15] S. Rahardjo, *Law*. Bandung: PT. Citra Aditya Bakti, 2000.
- [16] P. M. Marzuki, *Introduction to Law*. Jakarta: Kencana Prenada Media Group, 2006.