

Research Article

Trademark Dispute of Starbucks in Indonesia: Is There A Legal Protection?

Budi Agus Riswandi^{1*}, Indah Parmitasari¹, Abdan Syakura², Ridwan Khairandy¹, Karimatul Ummah¹

¹Department of Private Law, Universitas Islam Indonesia, Yogyakarta, Indonesia

²Faculty of Law, Universitas Islam Indonesia, Yogyakarta, Indonesia

ORCID

Budi Agus Riswandi: <https://orcid.org/0000-0002-7190-6892>

Indah Parmitasari: <https://orcid.org/0000-0001-6205-2875>

Abdan Syakura: <https://orcid.org/0000-0002-0821-464X>

Ridwan Khairandy: <https://orcid.org/0000-0002-8337-677X>

Karimatul Ummah: <https://orcid.org/0000-0001-6404-1360>

Abstract.

In Starbucks Corporation Trademark Dispute against PT Sumatera Tobacco Trading Company, PT Sumatera Tobacco Trading Company won because it had previously registered the same *Starbucks* trademark as a cigarette. The ruling was made by the Commercial Court of Central Jakarta Decision No. 51/Pdt.Sus/Tra. However, the Starbucks Corporation won at the cassation (third instance) level in the Supreme Court by Decision No. 836 K/Rev.Sus-HKI/2022 since the owner of the coffee trademark was classified as a well-known trademark. In the wake of this, it is essential to research and evaluate how the judges' processes differ between the instances and how is the protection system of companies and trademarks that are well-known in Indonesia. This study is carried out through normative legal research, using statutory and conceptual approaches, and the secondary legal materials were collected through literature studies and qualitative descriptive analysis methods.

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Corresponding Author: Budi Agus Riswandi; email: 154101304@uii.ac.id

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1. Introduction

A trademark is a crucial component in the commercial world and the life cycle of a company. The importance of a trademark is to set goods or services apart from one another. Additionally, trademark can be utilized in the advertisement of a line of goods or services. The use of trademarks as product identities can influence the consumer loyalty, trust that affects business reputation, effectiveness in promotion, as well as increased transactions and appraisals on the worth of the said trademark, according to a variety of literature on legal and economic considerations.[1] Due to its importance,



it is not surprising that the trademark is sometimes up for a grab among businesses actors, which then leads to trademark disputes.

One of these trademark disputes is found in the case of Starbucks, a coffee outlet trademark from America against a Cigarette Trademark with the same name as Starbucks from Indonesia.[2] This trademark dispute has been examined and ruled with a court decision that is binding and pose permanent legal force. The decision of the Court of first instance Number 51/Pdt.Sus/Trademark/2021/PN Niaga Jkt.Pst dismissed the trademark revocation lawsuit filed by Starbuck Corporation as the owner of the coffee shop trademark, while the cassation decision Number 836 K/Pdt.Sus-HKI/2022 by the Supreme Court annulled the decision of the Court of first instance and granted the lawsuit for cancellation of the Starbucks Cigarette trademark owned by PT Sumatra Tobacco Trading Company (STTC). Derived from this particular case, this research describes and studies the legal considerations against the Decision Number 51/Pdt.Sus/Trademark/2021/PN Niaga Jkt.Pst at the first instance and the Decision Number 836 K/Pdt.Sus-HKI/2022 at the cassation level on the trademark dispute between Starbucks Corporation and PT Sumatera Tobacco Trading Company (STTC).

Indonesia as a country that has ratified the *Paris Convention for the Protection of Industrial Property* 1967, particularly Article 6 bis paragraph (91) and TRIPs Agreement particularly Article 16 paragraphs (2) and (3), is then subjected to and obliged to implement all regulations contained thereof, one of which is recognition of *well-known trademarks*. Therefore, another issued studied from the abovementioned case is how should the trademark protection system in Indonesia be governed, especially for *well-known trademarks*?

2. Methods

The study is based on normative legal research methods, using statutory and conceptual approaches. The data sources used are primary legal materials, secondary legal materials, and tertiary legal materials by collecting them through literature studies and qualitative descriptive analysis method.

3. Results And Discussion

3.1. Legal Considerations in Starbucks Trademark Dispute between Starbucks Corporation Against PT Sumatera Tobacco Trading Company (STTC) in Indonesia

Recently, the Supreme Court in favour for Starbucks Corporation (Starbucks Co) against PT Sumatra Tobacco Trading Company (STTC) in a dispute over the *Starbucks* trademark. The case began in July 2021, in which Starbucks Corporation, a coffee company based in the United States and the owner of the world-well known *Starbucks* trademark, filed a lawsuit for violation of STTC's use of the *Starbucks* trademark. PT Sumatra Tobacco Trading Company (STTC) is a cigarette company domiciled in Indonesia. STTC was sued by Starbucks Co for its use of the same *Starbucks* trademark in its cigarette products.

Starbucks Co. was founded in 1971 in the United States, and currently has established many outlets in various countries, one of which is in Indonesia with ownership of more than 300 outlets spread across various regions in Indonesia. Starbucks Co. has registered the trademark under the Starbucks name in 75 countries for class 30 (coffee) and 43 (cafes). In June 1992, Starbucks Co had 165 stores and its shares were listed on the NASDAQ (United States stock exchange).

While STTC has been established since 1952 in Pematang Siantar, North Sumatra, which produces cigarettes, one of its cigarettes was given the *Starbucks* trademark which was later sued by Starbucks Co. SSTC registered the *Starbucks* trademark for its cigarette products on September 10, 1992 and was accepted by the Directorate General of Intellectual Property (DJKI) and has been extended.

Starbucks Co. sued STTC for the use of the *Starbucks* trademark in the latter's cigarette products, and filed in the Commercial Court of Central Jakarta in July 2021 under the Decision Number 51/Pdt.Sus/Trademark/2021/PN Niaga Jkt.Pst. Starbucks Co. postulates that STTC assumes bad faith in registering the *Starbucks* trademark for its cigarette products, as it bears a substantial resemblance to Starbucks Co.'s *Starbucks* trademark for its outlets/coffee shops which are also a well-known trademarks. Although STTC's *Starbucks* trademark was registered in 1992, Starbucks Co. based on the provisions of Article 77 paragraph 2 of the Trademark Law that the filing of a trademark annulment lawsuit is not limited to time if there is an element of bad faith.

Starbucks Co. argues that its trademark is a well-known trademark because it has been registered in various countries and has opened many outlets in various countries.

STTC countered the suit by arguing that Starbucks Co. could not file an annulment suit because it had passed the expiration date of the cancellation period of 5 years, and also STTC did not assume bad faith in the registration of the *Starbucks* trademark for its cigarette products because it did not meet the element of having the intention to imitate or plagiarize as well as for the benefit of STTC's business. STTC has no intention of plagiarizing the *Starbucks* trademark because the *Starbucks* name dates back to 1851 found in Moby Dick's Novel, and STTC has no interest in STTC's business because STTC's *Starbucks* trademark is different in trademark class from Starbucks Co's, STTC's class is class 34 which is for tobacco/cigarette products. Starbucks Co's ground that the *Starbucks* trademark is a well-known trademark must then be proven.

The government which in this case refers to the Directorate of Trademarks and Geographical Indications at the Directorate General of Intellectual Property Rights of the Ministry of Law and Human Rights of the Republic of Indonesia, confirmed that the *Starbucks* trademark had been registered by STTC in 1992 in accordance with the legal procedures, and before it was accepted the registration application had been checked according to the procedure that there was no mark with the same class code so that DJKI received a trademark registration belonging to STTC. According to DJKI, whether the *Starbucks* trademark is categorized as a well-known trademark needs to be proven by the elements in the provisions of Article 18 paragraph (3) of the Minister of Law and Human Rights Regulation Number 67 of 2016 on Trademark Registration, namely the level of public knowledge of the trademark, sales volume, market share, the period of use of the trademark, and so on. Hence a trademark is considered to be famous not only based on how much a trademark has been listed in different countries.

The consideration of the Commercial Court judge in deciding is that the *Starbucks* trademark belonging to STTC has been registered since September 10, 1992 in class 34 (cigarettes) and registered according to the legal procedure provisions of the Trademark Law. The judge concluded that the DGT in this case had conducted a prior examination in the process of registering the *Starbucks* trademark by STTC and that no similar trademark was registered first, so it was later issued a *Starbucks* trademark certificate in the name of STTC. The judge concluded that it was not true that STTC assumed bad faith when it filed for registration of the *Starbucks* trademark in 1992, and Starbucks Co. could not prove the argument that STTC had bad faith, thus Starbucks Co.'s lawsuit

had to be rejected. The judge also considered that for a trademark to be considered as a well-known trademark must meet the elements as contained in the provisions of Article 18 (2) of Permenkumham No. 67 of 2016 and Article 6 of the *Paris Convention of 1967*. From these considerations, the judges of the Central Jakarta Commercial Court of Central Jakarta rejected the lawsuit filed by Starbucks Co. on December 23, 2021, which means that STTC is still entitled to use the *Starbucks* trademark for its cigarette products.

Dissatisfied with the first instance ruling, Starbucks Co. filed an appeal lawsuit to the Supreme Court on January 5, 2022. At the cassation level, the judges considered that the *Starbucks* trademark is a well-known trademark since it has been registered in various countries and carried out vigorous and massive promotions. The judges also considered that the Starbucks Co.-owned *Starbucks* trademark is registered earlier than STTC's *Starbucks* trademark, and the *Starbucks* trademark for STTC's cigarette products bears a substantial resemblance to the *Starbucks* trademark (coffee) owned by Starbucks Co., namely in the shape, arrangement and number of letters, and there is a similarity of sounds and utterances so this is bad faith because it piggybacks on the notability of the *Starbucks* coffee trademark.

Therefore based on these considerations, the judges at the cassation level granted Starbucks Co.'s appeal and ruled that STTC was not in good faith at the time of filing for the registration of *Starbucks* trademark in class 34 and canceled the mark from the general list of trademarks, as well as declared *Starbucks* trademark owned by Starbucks Co. to be a well-known trademark and ordered DJKI to cancel STTC's *Starbucks* trademark by crossing it off the list of general trademark and load in the official news of the trademark.

From these two rulings, several results of the analysis can be drawn, namely; *First*, the court's ruling has suffered a disparity in addressing the *Starbucks* trademark lawsuit and with different considerations; *Secondly*, the listing of the *Starbucks* trademark owned by STTC has basically been carried out through a series of procedures, in which there is a process of announcement and substantive examination. With these two processes, it must have been proven that STTC's *Starbucks* brand has gone through a definite process to be able to prove the presence or absence of bad faith; *Thirdly*, the court should be able to look at this matter of goodwill from a substantive and procedural side, thus the two considerations will determine the substantial justice for whether the STTC's *Starbucks* trademark is based on bad faith or not; and *Fourthly*, the judgment

of the commercial court and cassation through the Supreme Court does not provide certainty and substantial justice because in giving legal considerations it does not look at the side substantial and comprehensively procedural.

3.2. Case Study on Well Know Trademark Protection System in Indonesia

Indonesia is a country that has long had statutory provisions in the field of trademarks. Starting from the provisions of Law No. 21 of 1961 on Corporate Trademarks and Business Trademarks as the first law in the field of intellectual property rights[3] to Law No. 20 of 2016 on Trademarks and Geographical Indications. In the provisions of Law No. 20 of 2016, it basically regulates two types of intellectual property rights, namely trademarks and geographical indications. The Provisions of Law No. 20 of 2016 regulate several matters regarding trademarks, trademark protection system, forms of trademark infringement and their legal remedies. One interesting point to highlight in this context is in regards to the trademark protection system. The trademark protection system in theoretical studies consists of two types, namely declarative system (*first to use principle*) and constitutive system (*first to file principle*).[4]

Since the enactment of Law No. 19 of 1992 on Trademarks which came into force on April 1, 1993 in lieu of Law No. 21 of 1961 on Corporate Trademarks and Business Trademarks, the trademark protection system which originally adopts the declarative system (*first to use principle*) has been altered by the adoption of the constitutive system (*first to file principle*), the legal force against the protection of the mark no longer focuses on who uses the mark first, but rather on who registers the mark first that will earn the rights to the said trademark, hence offer higher degree of formal legal certainty in the writing of the trademark registration letter.[5] The principle of *first to file* contains "*prior in filling*" that the one entitled to a trademark is the party who registers the trademark, also known as the principle of "*presumption of ownership*".[6]

The other principles related to trademark protection are the principle of territoriality and the principle of specificity. In essence, the principle of territoriality defines trademark protection as a form of intellectual property rights to be classified as a material right which has implications for the protection of *the material law (property law)* which is the \ domain of national law[7], thus what is protected is only limited to the scope of the country in which the trademark is registered.[8]

Then the essence of the principle of specificity regarding the protection of the trademark is given only to the goods that are in the certificate and registration of the trademark. If the owner of the trademark rights wishes to expand the type of goods or services that are not covered by the trademark registration certificate, they must resubmit their application for a new type of goods and services that has not yet been registered.[8]

Taking into account the provisions of Law No. 20 of 2016 on Trademarks and Geographical Indications, the trademark protection system adopted is also based on the principle of *first to file* or *first to use* principles derived from the principle of good faith. This understanding is based on the provisions of Article 21 paragraph (3), Article 76 paragraph (2) and Explanation of Article 76 paragraph (2) of Law No. 20 of 2016.

Article 21 paragraph (3) of Law No. 20 of 2016 reads: "An application is rejected if it is submitted by an applicant in bad faith." Furthermore, Article 76 paragraph (2) of Law No. 20 of 2016 reads: "The owner of an unregistered mark may file a lawsuit as referred to in paragraph (1) after submitting an application to the Minister." From this Article 76, it is explained that what is meant by "the owner of an unregistered mark" includes an owner who is in good faith but not registered or the owner of a well-known mark but whose mark is not registered.

Understanding the system of trademark protection is basically a crucial to ascertain whether a trademark owned by business actors can be protected with certainty through the provisions of Law No. 20 of 2016. This is also highly relevant in the event of a claim to ownership of the trademark by two or several different business actors. Along this line, the turning point of the trademark protection system on the principle of good faith certainly needs to be clarified in regards to the intended criteria or elements.

In the context of trademark law, the notion of good faith is an action taken by the applicant for the trademark registrant in a decent and honest manner, without any intention to plagiarize or imitate the fame of another trademark for the benefit of his business which results in unfair business competition, deception, or misleading consumers.[9] The notion of good faith either can also be understood *in a contrario* or opposite manner where what is intended by the applicant for the applicant of the trademark in bad faith is the applicant's deliberate act of imitating part or all of the previous registered mark with the aim of matching the popularity of the duplicated mark for the benefit of the applicant's business.[10]

From this understanding it has been elaborated on the criteria of good faith both in the context of trademark law in the essence of honesty, rational actions, and having sought the existence and search of the trademark first before applying for trademark registration. Hence, the intention to imitate, plagiarize, or follow the trademark of other parties for the benefit of their business cause unfair business competition, deception, or deceiving consumers are categorized as the criteria or elements of bad faith.

The trademark protection system as regulated in Law No. 20 of 2016 also applies in the context of a well-known trademark protection system in Indonesia. As is known, the legal implications of the ratification of the *Paris Convention for the Protection of Industrial Property 1967* and the *Trade Related Aspects of Intellectual Property Rights (TRIPs)* means that Indonesia subjects to and is obliged to recognize *well-known trademarks* in its trademark legal protection system.

The protection system of a well-known trademark should pay attention to both the procedural and the substantial aspects. The procedural aspects of the well-known trademark protection system are based on the registration system as stipulated in the *Madrid Treaty Protocol on the International Registration of Marks 1989*, while the substantial aspects in the famous brand protection system are based on several requirements. This is as stipulated in the Regulation of the Minister of Law and Human Rights Number 67 of 2016 on Trademark Registration. In Article 18 of the Minister of Law and Human Rights No. 67 Year 2016 is stated as follows:[11]

1. (a) i. The criteria for determining a well-known trademark as referred to in Article 16 paragraph (2) letter b and letter c are carried out by taking into account the general knowledge of the public regarding the trademark in the field of business concerned.
- ii. The community as referred to in paragraph (1) is a consumer society or society in general that has a good relationship at the level of production, promotion, distribution, and sales of goods and / or services protected by the well-known trademark.
- iii. In determining the criteria for a trademark as a well-known trademark as referred to in paragraph (1) it is carried out by considering:
- iv. the level of public knowledge or recognition of the trademark in the field of business concerned as a well-known trademark;
- v. the volume of sales of goods and / or services and the profit obtained from the use of the trademark by its owner;

- vi. market share controlled by the trademark in relation to the circulation of goods and/or services in the community;
- vii. coverage of the area of use of the trademark;
- viii. the term of use of the trademark ;
- ix. the intensity and promotion of the trademark, including the value of the investment used for such promotion;
- x. registration of a trademark or application for registration of a trademark in another country;
- xi. the success rate of law enforcement in the field of trademark, in particular regarding the recognition of such trademark as well-known trademark by authorized institutions; or
- xii. the value attached to the trademark obtained due to the reputation and quality assurance of the goods and/or services protected by the trademark

In addition to substantial aspects based on the Regulation of the Minister of Law and Human Rights Number 67 of 2016 on Trademark Registration, other substantial aspects must base themselves on good faith.

If analyzed from the protection of well-known trademarks in Indonesia especially in the context of the present case, then the protection of well-known trademarks has not been realized optimally because the court in giving legal considerations is still pre-initial in nature. The partiality is seen in two dichotomous choices of legal considerations, namely; (1). The judges' legal considerations are based solely on the procedural aspects of the trademark registration process; and (2) judges legal considerations are based solely on substantial aspects of the trademark registration process. In this case, it appears that the Commercial Courts only adopts legal considerations from the procedural side, while the overruling made by the Supreme Court only adopts legal considerations from the substantial side

4. Conclusions

The conclusion from this description are; *First*, the *Starbucks* trademark dispute between Starbucks Corporation (Starbucks Co) and PT Sumatra Tobacco Trading Company (STTC), which has been decided by the decisions of the Commercial Court and cassation through the Supreme Court in which the considerations given do not provide substantial certainty and justice since the meaning of bad faith has not been

from the substantial and procedural sides comprehensively; and *Secondly*, the well-known trademark protection system in Indonesia in the context of this case has not been optimally realized since the court's legal considerations is still pre-initial in nature. In this case, it appears that the Commercial Court only adopts legal considerations from the procedural side, while the overruling made by the Supreme Court only adopts legal considerations from the substantial side

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