



The Importance of Patent Protection for EU & SEA businesses in Indonesia

Kin Wah CHOW

SEA IPR SME Helpdesk, External Expert

14 October 2019

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**SOUTH-EAST ASIA
IPR SME HELPDESK**

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Speaker's Bio

Name: Mr. Kin Wah CHOW
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Email: kchow@rouse.com



Kin-Wah Chow is a principal in Rouse & Co. International LLP based in Jakarta.

Countries admitted to legal practice – Singapore, USA New York State, England & Wales and Western Australia.

Countries worked in– Singapore, China/HK, Indonesia.

Main practice area – IP advisory and IP litigation

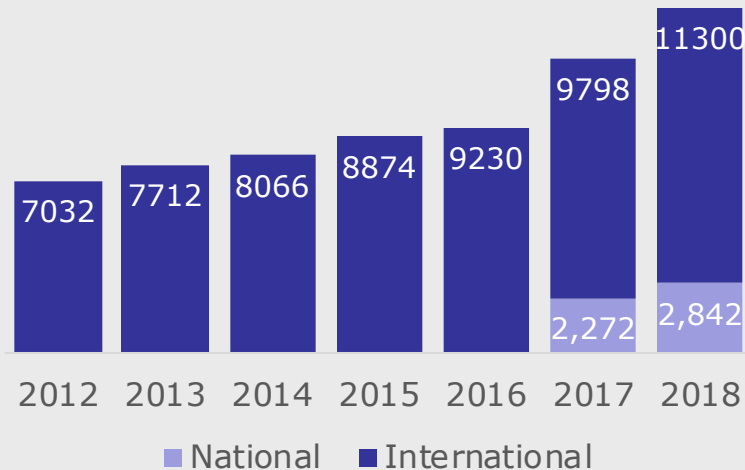
Kin-Wah is listed by the independent review WTR 1000 list for Indonesia with the following comment: “He is lovely to deal with and provides practical guidance promptly and efficiently.” He speaks English, Chinese and Bahasa Indonesian, and in 2012 received the ILO Client Choice Individual Award. Kin-Wah joined the Helpdesk network in April 2013.

Patent Applications

Top 5 Countries in 2018:

1. Japan
2. USA
3. South Korea
4. China
5. Germany

Patent Application Filed in 2012-2018



SOUTH-EAST ASIA
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Patent Prosecution Highway (PPH)

From 1468 PPH requests, 971 cases are granted as of 6 August 2019

Total Pendency :

Type of Application	Speed with PPH*	Speed without PPH
Paris Convention	< 2 years	> 3 years
PCT application	< 2 years	> 3 years

**Patent Office Internal Circular May 2018 : PPH request will be processed within 6 months*

ASEAN patent examination cooperation (ASPEC)

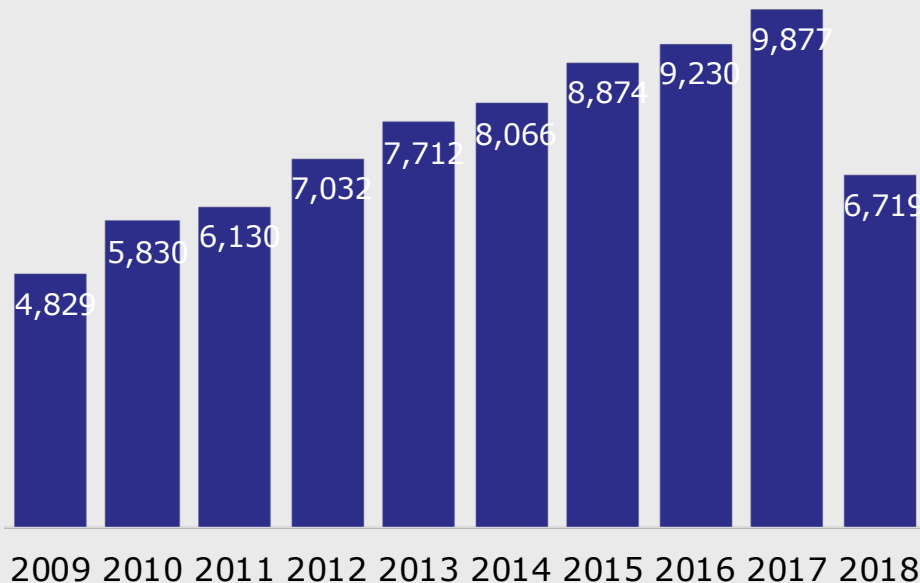
43 out of 80 ASPEC applications granted as of 6 August 2019

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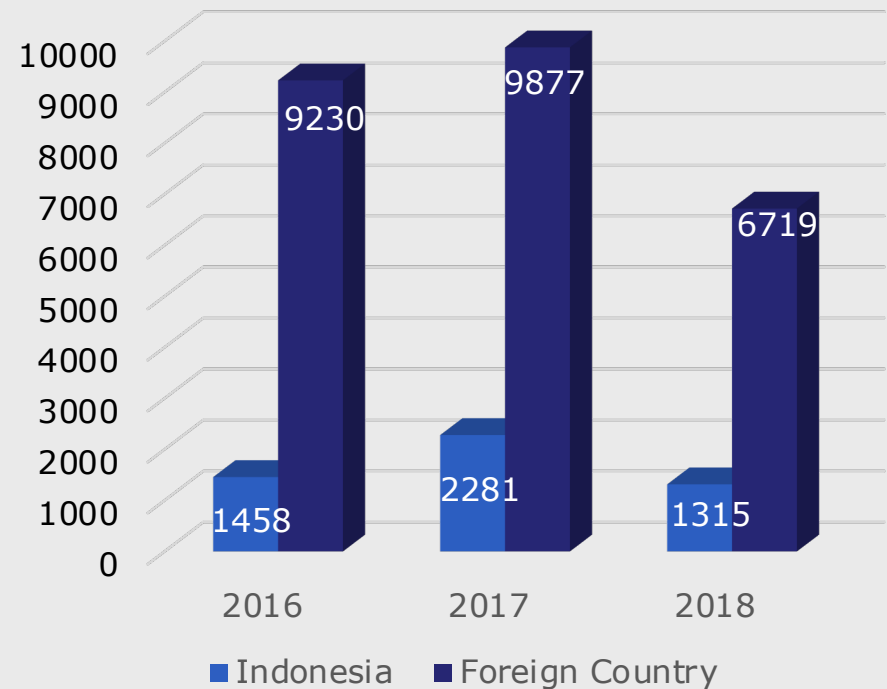
Patent Applications

ID Patent Applications filed in 2009-2018



Source: DGIP statistics August 2018

Indonesian entities vs Foreigners



SOUTH-EAST ASIA
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Indonesia –	2016 (8),	2017 (8)
Germany –	2016 (18,307) ,	2017 (18,948)
France –	2016 (8,210) ,	2017 (17,862)
Italy –	2016 (3,362) ,	2017 (38,282)
Sweden –	2016 (3,719) ,	2017 (3,975)
Denmark –	2016 (1,356) ,	2017 (1,429)
Netherlands	2016 (4,676) ,	2017 (4,430)
USA-	2016 (56,591),	2017 (56,680)
Japan –	2016 (45,209) ,	2017 (48,206)
Korea –	2016 (15,555),	2017 (15,752)
China -	2016 (43,091),	2017 (48,900)
Singapore -	2016 (864),	2017 (867)

2018 – Top applicants

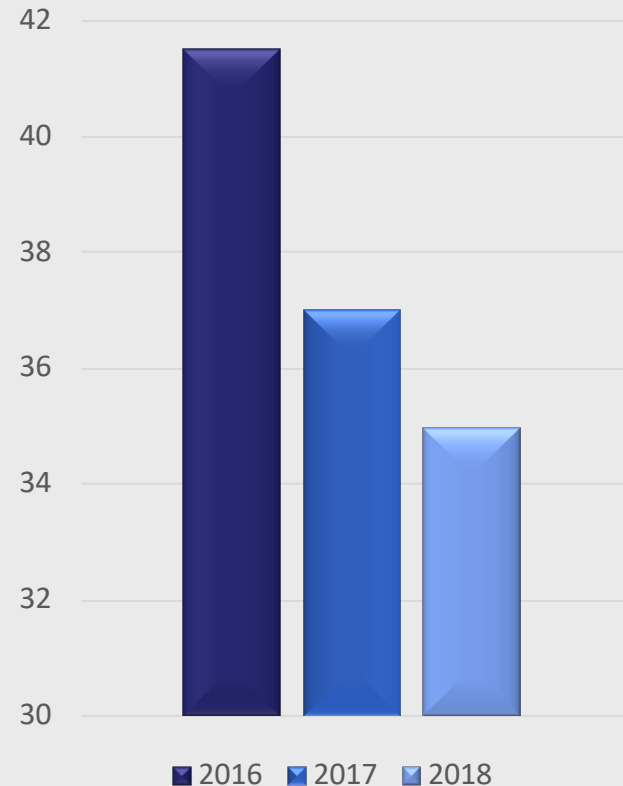
1. Qualcomm
2. Samsung Electronics Co., Ltd
3. Toyota Motor Corporation
4. Indonesian Institute of Science (LIPI)
5. Honda Motor
6. Nippon Steel & Sumitomo Metal Corp.
7. Huawei Technologies
8. Unilever N.V
9. Nissan Motor Co., Ltd
10. Unicharm Corporation

Source: DGIP statistics as of 2018

Substantive Examination

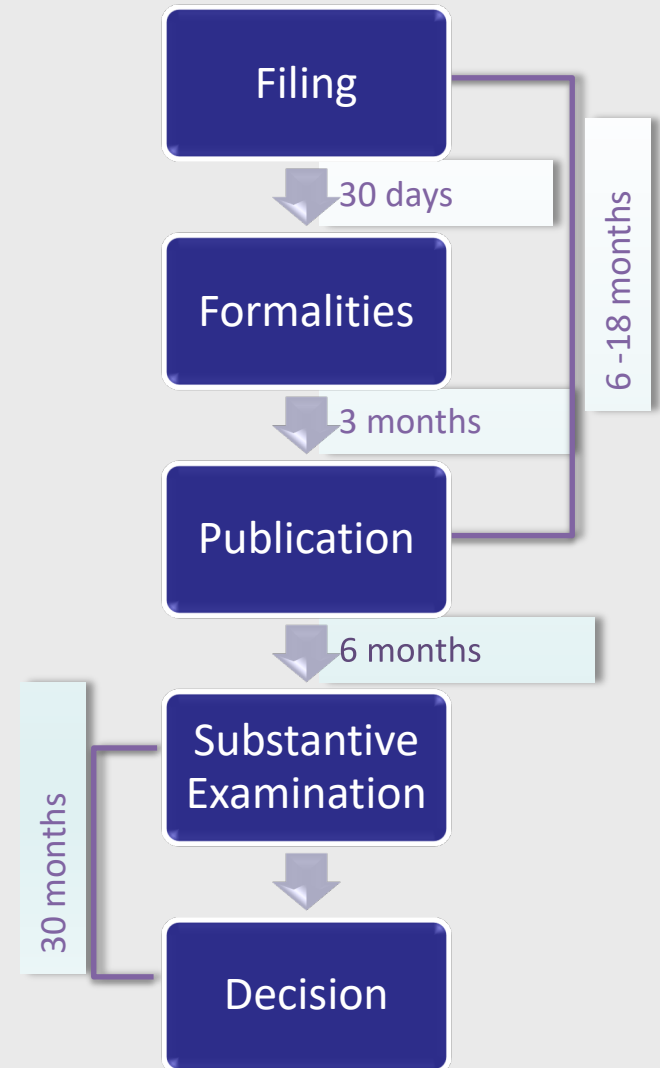
- Substantive examination - mainly conformance with international application.
- Independent prior art search rare
- Not possible to file divisional application after Notice of Allowance issued
- Substantive examination will start after publication period has expired
- In practice, normally multiple dependencies are acceptable
- Swiss-type claims and 2nd use medical treatment are no longer possible under Patent Law No. 13 of 2016

Average Pendency From Filing to 1st Office Action (Months)



Patent – Process

- Decisions of grant - within 30 months from substantive examination request
- In practice: 3-5 years for grant, 2-4 years for simple patents
- Most grants based on conformance to corresponding grants overseas (EPO, US, Japan, Australia, Korea)
- Appeals before Appeal Commission –
 - Rejection of application/correction of Description/Claims within 3 months from notice of rejection/allowance
 - Post-grant opposition/revocation within 9 months from notice of allowance



Requirements to Use Patent

- Article 20 of Patent Law -

“(1) A Patent Holder shall be obligated to make a product or use a process **in Indonesia**.

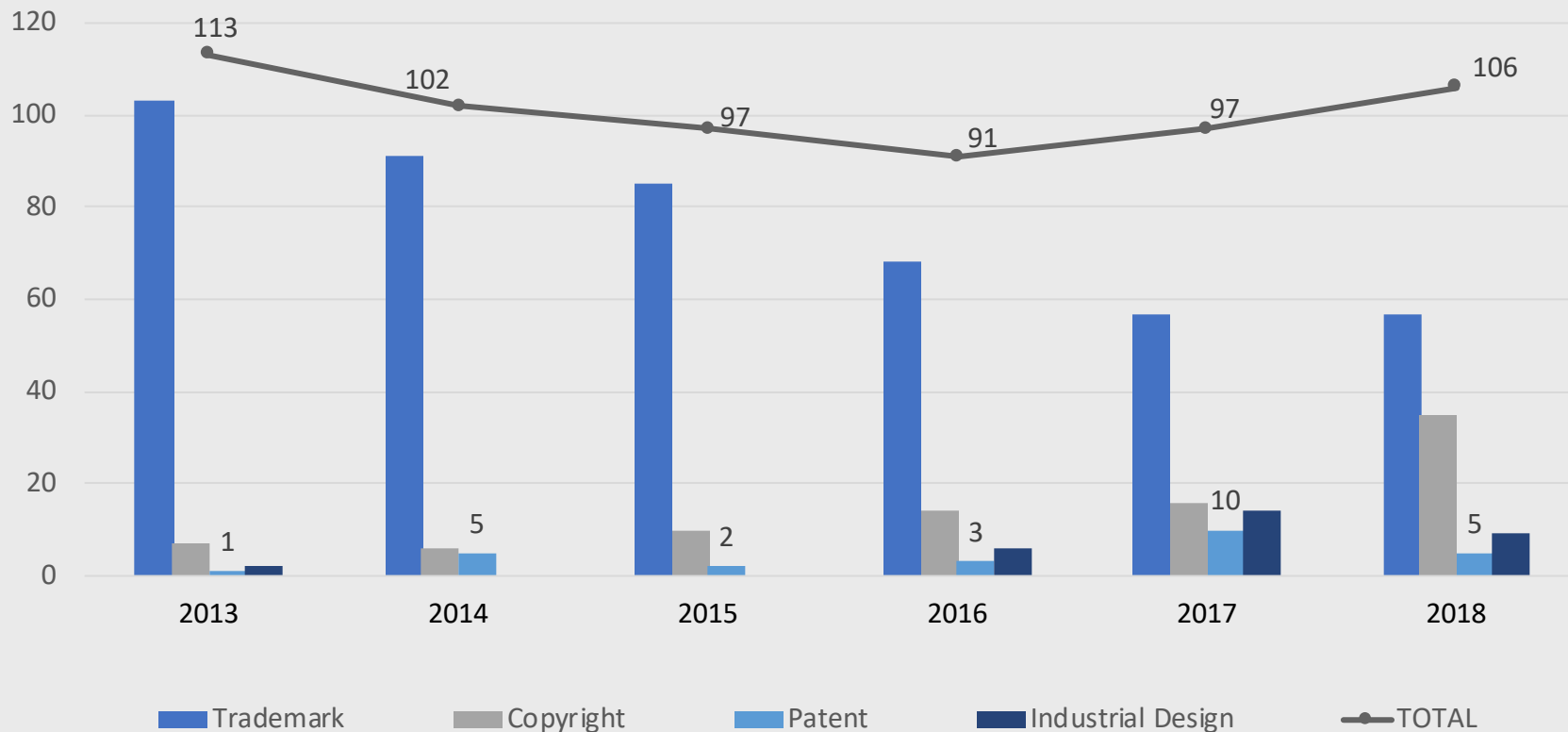
(2) The production or the application of a process as referred to in paragraph (1) must support the transfer of technology, absorption of investment, and/or provision of employment”

Consequence of non-use

- Risk of Compulsory license if patent holder does not fulfil obligation to create a product or use a process in Indonesia within 36 months – article 82
- Risk of patent to be deleted in court by prosecutor/parties representing “national interest” i.e. solely for the interest of the people and/or Indonesia – article 132

Indonesian IP case

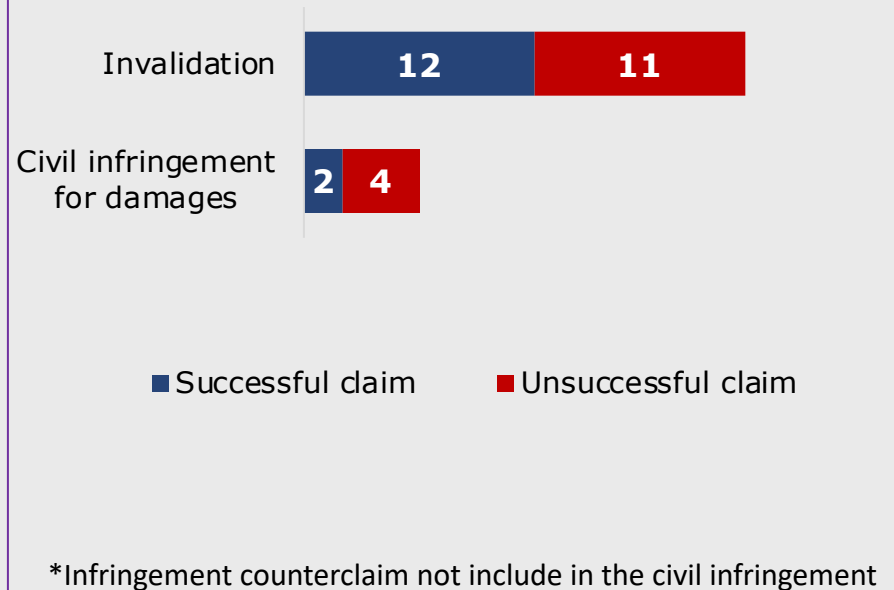
IP COMMERCIAL COURT CASES 2013 – 2018



Supreme Court Patent Cases

- Grounds of invalidation action :
 - Lack of novelty,
 - Lack of inventiveness,
 - Excluded subject matter (contrary to law, method of treatment, scientific theory, living creatures, etc.)
- Infringement actions are rare.
- 10 out of 23 patent invalidation action filed in reaction to criminal enforcement action;
- Infringement counterclaim only succeeded in 1 out of 2 cases where the patent were upheld;
- Damages award rare and hard to prove actual loss;
- Interlocutory injunction framework unworkable;
- Technical fields mostly in Mechanical, Chemistry, and Electronics.

PUBLISHED SC DECISIONS ON PATENT CASES 2002-2018



Supreme Court Patent Infringement Case

Commercial Court – First Instance : 037/Patent/2003/PN.Niaga.Jkt Pst

Supreme Court – Appeal Stage : 046 K/N/HaKI/2003

Supreme Court – Reconsideration : 09 PK/N/HaKI/2004

YEAR	PT Tata Logam Lestari (PLAINTIFF)	PT Sugi Langgeng Gentilindo (DEFENDANT)	OUTCOME
2004	Plaintiff is the owner of simple patent for a matter roof with registration No. ID0000116S dated 31 May 1996	Defendant has produce/make and sell or provide for sale the same metal tile as registered by the Plaintiff	Successful
	Plaintiff filed for patent infringement and claimed that the Defendant act has caused damages to the Plaintiff	Defendant claimed that the product they sell is different based on the confirmation in the Patent Office Director Letter dated 14 March 2003, No: H3-UM.02.01.09.85-2003 concerning the explanation of Patent ID0000116-S	
	The Commercial Court partially accepted the Plaintiff's claim & declared that the Defendant's act has caused damages to the Plaintiff (the damages awarded are less than asked)	Defendant later filed for appeal to the Supreme Court and got rejected	
	The Supreme Court upheld the Commercial Court's decision and rejected the Defendant's reconsideration appeal. The Defendant still has to pay for the damages despite being free from indictment in the amount of Rp500.000.000,00 (five hundred million rupiah). The Court did not explain why the disregarded the letter from Patent Office Director explaining that the Defendant's product is different from the Plaintiff's patent		

Tata Logam Damages Quantification

Tata Logam Case* v Sugi Langgeng

Quantity (roof) produced by defendant (Plaintiff's estimation) (<i>setiap bulan tergugat diperkirakan memproduksi/membuat dan menjual sebanyak lebih kurang 50.000 lembar genteng logam.</i>)				50,000
Infringement period (months) (<i>jadi terhitung sejak bulan Januari 2003, selama 4 bulan</i>)			x	4
Margin per unit - roof (Plaintiff's estimation) (<i>bahwa keuntungan dari 1 (satu) lembar genteng adalah lebih kurang Rp. 5.000</i>)		Rp.	x	5000
Total material damages		Rp.	=	1,000,000,000
Immaterial damages			+	1,000,000,000
Total damages claimed by plaintiff			=	2,000,000,000
Granted		Rp.		500,000,000

Court reasoning (legal consideration)

"Menimbang, bahwa karena itu jika Tergugat tidak memproduksi dan tidak menjual produk genteng sebagaimana tersebut diatas, dapat dipastikan Penggugat akan memperoleh keuntungan dari hasil penjualannya sebesar itu, karenanya dengan Tergugat memproduksi dan menjual produk genteng tersebut Penggugat akan kehilangan keuntungan, maka atas dasar keadilan dan kepatutan dan rasa keadilan dari Majelis Hakim berasan Tergugat dihukum membayar ganti rugi materiil sebesar Rp. 500.000.000 - yaitu 1/2 dari estimasi kerugian yang timbul dari hasil produk yang dipasarkan, yang harus dibayar kepada Penggugat setelah perkara ini mempunyai kekuatan hukum tetap."

Supreme Court Patent Infringement Case

Commercial Court – First Instance : 02/PATEN/2008/PN.NIAGA.JKT.PST.

Supreme Court – Appeal Stage : 581 K/Pdt.Sus/2008

YEAR	PT Superdry Indonesia (PLAINTIFF)	PT Indonesian Container and Lars Mikael Thorden Lang (DEFENDANT)	OUTCOME
2005	The Plaintiff filed this court action claiming for ownership in the patent under article 12 Patent Law that the Defendant/director used the Plaintiff's facility to create invention	The Defendant II as director of the Plaintiff, applied to register a patent in his own name	Successful
	The Commercial Court allowed the claim and ordered the transfer of the "Patent No. ID0019714 on Enhanced Super Dryer" to the Plaintiff. The Defendant filed for appeal and was rejected (50 K/N/HaKI/2005)		
2008	The Plaintiff then filed a new damages action against the Defendant/former director and his new company for infringement of the patent		
	The Court accepted that there was infringement but did not award damages		
	The Supreme Court reason - The calculation was based on estimation without sufficient evidence and that it was not proper to order damages against the former director, Thorden, who is founder and owner of 50% shares in the Plaintiff		

Case Study – Background: Commercial Court No. 50/Paten/2012/PN Niaga Jkt. Pst (cont)

- Patent No. ID P0029363 B with title “Heat Insulation” contains two claims
- Claim 1 - method of making a heat insulation device using LDE (low density polythene)
- Claim 2 - product according to claim 1
- Patent owner enforced its patent and started a raid against Plaintiff for infringement
- Plaintiff then filed invalidation action to cancel subject patent

Case Study – Decision (cont)

- Plaintiff won and patent invalidated
- The court's only reason:

"The Plaintiff has succeeded in proving the arguments of their lawsuit while the Defendant has failed to prove the arguments;"

- Judges did not say which prior art was the key evidence or anticipated the subject patent.
- *Observation* - while the outcome is correct, the presentation will show that the judges are not familiar with difference between novelty and inventive step
- Case also demonstrates the level of evidence/technical support required to support invalidation action

Case Study – Prior art evidence (cont)

- Plaintiff relied on following patent prior art to argue lack of novelty and inventive step

Patent No	Title	Publication Date
GB 1215137 (A)	Improved Thermally Insulating Material	09-12-1970
US 3651183	Surface Heating of a Foamable Polyolefin Preform Prior to Foaming and Crosslinking	21-03-1972
EP 1273435 A 1	Laminate Sheet	8-01-2003
KR 20040107773 (A)	-	23-12-2004
CN 2764669 (Y)	-	15-03-2006
KR 100884259	Insulation Material for Interior Wall to Prevent the Frost and Mold Generation	18-02-2009
KR 100908189 B1	Heat Insulator Manufacturing System and Method Having a Highly Reflection and Low Radiation	16-09-2009

- These patents disclosed generally use of foam material in heat insulation installation

Case Study – Prior art – disclosure (cont)

- Plaintiff submitted comparison showing that all the elements are "disclosed" in the patent prior art

Features of claim 1 of invention ID P0029369 B: A heat insulation that can be used for sound insulation, construction, and industry, which is a foam (crosslinked foam) attached to the equipment to be insulated by the process through the stages:	Evidence P-2	Evidence P-3	Evidence P-4	Evidence P-5
LPDE (low density polyethylene) raw materials are weighed according to plan	✓	✓	✓	✓
Stirring of PE, TSK, DCP raw materials in a kneader machine	✓	✓	✓	✓
Raw material that has been heated sent via conveyor	✓	✓	✓	✓
Formation of raw materials beads of kneader machine results	✓	✓	✓	✓
mixing with indirect material	✓	✓	✓	✓
additives (H40/KCN/HDPE/EVA)	✓	✓	✓	✓

Case Study – Patent Owner's arguments (cont)

- PH used the following comparison to distinguish each patent prior art as different – example below

ID P0029369	GB1215137 (prior art evidence P4)	Comparative Analysis
<p>Claim 1</p> <p>A heat insulation that can be used for sound insulation, construction, and industry, which is a foam (crosslinked foam) attached to the equipment to be insulated by the process through the stages:</p> <p>LPDE (low density polyethylene) raw materials are weighed according to plan; stirring of PE, TSK, DCP raw materials in a kneader machine; raw material that has been heated sent via conveyor; the formation of raw material beads of kneader machine results;</p>	<p>Claim1</p> <p>A heat insulating material consisting of a single layer of foamed thermoplastic material inserted between flexible aluminum, aluminum alloy or aluminum film on one side and a layer of non-metallic waterproof material on the other side.</p>	<p>In patent ID P00294369, the claimed invention is a heat insulation produced through the process steps as stated in claim 1, whereas in claim 1 of patent GB1215137 the heat insulating material which the patent wishes to claim is an insulating material having a specific structure, which consists of a layer of coating thermoplastic materials, aluminum coatings or flexible aluminum alloys, and waterproof materials.</p>

Case Study – Patent Owner's arguments (cont)

ID P0029369	GB1215137 (prior art evidence P4)	Comparative Analysis
(cont) mixing with additives (H40 / KCN / HDPE / EVA); heating for making solid sheets; high temperature heating produce sheet-shaped foams and oven foaming machines; cooling the foam sheet; cutting the remnants of foam, rolling so that foam is produced in the form of roll, packing foam; advanced process, laminating foam with aluminum.		It is clear here that there are differences in product form and composition between the two patents. Especially when viewed from the form of claims, claim 1 on patent IDP00294369, is a claim for a product that goes through specific manufacturing processes/stages. It is different from the claim in GB1215137 (Exhibit P4), which only claims heat insulation products with certain composition/structure.

- Patent Owner did the same for all of the prior art and argued that the claims in each of the prior art are different from the PH's Patent

Case Study – Expert testimony (cont)

Plaintiff's Technical Experts	Organization	Testimony
Drs. Sudirman, M.Si.	National Nuclear Energy Agency of Indonesia	insulation using foam was known since 1970 and made available by Kurikawa, Hitachi, Toray and SekiSui
Ir. Syah Johan Ali Nasirin M.Sc., Ph. D.	Polymer Technology Center	heat insulation using foam was known since 1972 and made available by Furukawa

Patent Owner's Legal Expert	Organization	Testimony
Ranggalawe Suryasaladin, S.H, M.H, LL.M	University Of Indonesia	Only explained what novelty and inventive step means

Case Study – Comments (cont)

- As there are differences in the claims, the patent should Not be considered as anticipated and therefore ***Novel***
- Use of foam for insulation was common knowledge –reasonable to conclude that there was ***no inventive step***
- But Court went on to rule that the patent is ***not novel and not inventive***. Court did not mention specifically which prior art anticipated novelty in the subject patent and also only made general reference to expert witness
- Common that judges mix up the two concepts (novelty and inventive step) – once the patent is anticipated, there is no need to consider the further question of obviousness (lack of inventive step)
- The final outcome is correct, but the decision is best explained as lack of inventive step, because the evidence as a whole (including expert testimony) shows using foam is common knowledge

Case Study – Overview on evidence and experts (end)

- Use of both patent prior art and expert testimony to argue lack of novelty and lack of inventive step
- Experts – foreign experts should be supported by local experts in case the foreign expert testimony runs into problem such as poor translation – this is a common problem especially when local counsel does not monitor closely for discrepancy between expert speech and translation.
- Local experts should be from independent government agencies/institutions such as National Science Institute or renown local university
- Patent Holders defending their patents should call expert testimony to explain technical advantages claimed in their patents – in this case, the patent holder called expert with only legal expertise who would not be in any position to comment on the technology in question.

Criminal Sanction

Article 160 of Patent Law (Bahasa Indonesia)

"Setiap Orang tanpa persetujuan Pemegang Paten dilarang:

- a. dalam hal Paten-produk: membuat, menggunakan, menjual, mengimpor, menyewakan, menyerahkan, atau menyediakan untuk dijual atau disewakan atau diserahkan produk yang diberi Paten; dan/atau*
- b. dalam hal Paten-proses: menggunakan proses produksi yang diberi Paten untuk membuat barang atau tindakan lainnya sebagaimana dimaksud dalam huruf a."*

Article 160 of Patent Law

"Any person without the consent of the Patent Holder shall be prohibited from:

- a. in terms of Patented product: producing, using, selling, importing, renting, giving, and/or providing for selling, renting, and giving a Patented product; and/or
- b. in terms of Patented process: applying a Patented production process in the production of goods or any other actions as referred to in item a."

Criminal Sanction (contd.)

Article 161 of Patent Law (Bahasa Indonesia)

"Setiap Orang yang dengan sengaja dan tanpa hak melakukan perbuatan sebagaimana dimaksud dalam Pasal 160 untuk Paten, dipidana dengan pidana penjara paling lama 4 (empat) tahun dan/atau denda paling banyak Rp1.000.000.000,00 (satu miliar rupiah)."

Article 161 of Patent Law

"Any Person who deliberately and unlawfully commits any acts as referred to in Article 160 on a Patent, shall be subject to a maximum criminal sanction of imprisonment of 4 (four) years and/or a maximum pecuniary sanction of Rp1,000,000,000 (one billion rupiah)."

General Comment – Litigation

- Judges are inexperienced with IP disputes and even less so with patents
- Lack of transparency is an issue
- Decisions from parallel litigation will be useful reference
- Expert witness important including expert on patent law to educate judges
- Local technical expert should be part of expert team because interpreter errors common during testimony by foreign experts
- Under new Patent Law, within 9 months of patent grant, invalidation to be filed before the Patent Appeal Commission

Pre-Litigation Steps

- Check Indonesian claims for any translation errors
- Pre-action letters are recommended

Article 154

"In the event of a criminal lawsuit over a violation of Patent or simple Patent, the parties must first resolve such matter through mediation."

- **Article 143 (1)**

"A Patent Holder or a licensee shall be entitled to bring a lawsuit for damages through the Commercial Court against any person who with intention and without rights performs any acts as referred to in Article 19 paragraph (1)."

Infringement – Defences by counterclaim

- Counterclaim for invalidation (grounds of lack of novelty/obviousness) as part of defense to infringement.

Wrap up

- Patent protection – products and processes that if copied can be proven easily
- Patent protection necessary against unscrupulous distributors
- Cease & Desist letter is the necessary step with possible threat of criminal complaint
- Court litigation is a last resort – experts are important

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