



Legal Risk Mitigations on Trademark Rights as Bank Guarantee Credit

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Abstract

Credit problem and even bad credit are a problem for banks, because the existence of credit problem is not only decrease the bank incomes but decrease the profit. This research has a purpose to examine the risk mitigation on object guarantee in form of trademark rights which conducted by bank. The method used here is normative method by statutory and conceptual approach. This research used Burgerlijk Wetboek (BW), the Constitutions Number 20/2016 about Brands and Geographic indication, the Constitution of Banks, The Constitution Number 42/1999 about the Fiduciary Guarantee and Implementing the Regulation as legal material, and books, journal, research report, and article as secondary material. The result of this analysis showed that guarantee as bank effort to ward off legal risk such as weakness of the alliance until not fulfilled the contractual terms or not perfect of collateral binding even the cancellation of the brand certificate. Based on the result, this research concluded that bank have to anticipate legal risk which possible appeared from a brand, such as binding of principal agreement that which does not fulfill the conditions of the validity of the agreement or the collateral agreement which is not perfect the binding, even on the brand certificates is possibly to be cancelled.

Keywords: *Credit; Legal Risk; Risk Mitigation; Fiduciary; Trademark Rights*

Introduction

Related to the bank balance sheet assets, Credit can be the largest portion of operational funds, however at the same time it can consider as the largest business risk sources. Bad credit is a problem for banks, because the existence of credit problem is not only decrease bank incomes but also the profit because each credit is categorized as problem credit. Therefore, the obligation of bank is to make the Provision for Loan Losses (PPKA) (Presiden Republik Indonesia, 2019)¹, this condition in the end can destabilize the bank and eventually detrimental to depositors. Therefore, in (Bank Indonesia, 1992) Article 2 Constitutions Number 7/1992 juncto Constitutions Number 10/1998 regarding to Banks (Banks Constitutions) regulated that Indonesian Banking in doing business based on economic democracy with using the precautionary principle. The application of the precautionary principle aims to the bank always in stable condition, always in the conditions of *liquid, solvent and profitable*. The application of the

¹ Article 43 Financial Regulation number 40/POJK.03/2019

precautionary principle is expected so that the level of public trust through the Banks always high until the citizen is ready and no hesitation in depositing funds in the bank (Sjadeini, 1994).

On minimizing credit risk, Bank made the efforts by conducting credit analysis. credit analysis can be done as the preventif effort which have to be done carefully by bank because it takes a role as first filter to prevent dangerous problem of credit. Credit analysis activity aims to assess the ability from recipients prospective of credit facilities in order to fulfill the achievements related to clause of credit agreement.

An Assessment on analysing the credit that was conducted by bank is assessing objects to be submitted by debtor customer as guarantee property. The existence of Guarantee (collateral) for credit considered important even though it cannot be said to be absolute. Realizing in Constitution of Banks as confired in Article 8 that the first thing to note is bank confidence in the ability and ability of debtor customers to pay the credit until the guarantee is not become the main requirement in granting credit eventough the exitence of collateral will be important if there is a problem credit. Then if the bank feels confident about the ability and capbility of the debtor customer, the guarantee is a form of goods, project or the bill rights financed with the concerned credit.

A possibility becomes the guarantee property in form of Intellectual Property Rights (HKI), which is involved the trademark rights, copyright, patent, trade secret, industrial design and integrated circuit layout design, besides the guarantees commonly received by banks, which is land rights, the motor vehicle, machine, gold, receivables or claim rights. One of the HKI that has been accepted as guarantee property to conventional bank as well as to syaria bank is trademark rights although only accepted at Banks of BNI Company (persero) and Bank Muamalat Indonesia, as has been done by Sri Mulyani and in the research that I have done (Usanti, 2017). The land service has been carried out through various activities using computers, starts from the information until the last result product in the form of decree or freehold title (Widodo *et al.*, 2019).

Trademark right was accepted as object of collateral both on conventional banks or sharia banks. if the trademark rights have been registered in General Register at the Directorate General of Intellectual Property (DJKI) with proven brand certificate. However, the existence of trademark certificate does not guarantee the bank will be safe because it is possible for the mark to be canceled. When that case happens, bank is clearly on disadvantaged side because by the cancellation of brand in guarantee agreement being deleted and caused an impact on position of bank as creditor. Based on the descriptions above then the problem will be analyzing is risk mitigation conducted by the bank on the object of collateral rights to the brand.

Based on the explanation above, this study aims to analyze the risk mitigation on object guarantee in the form of trademark rights that conducted by bank.

B. Research Methodology

This study was done by normative method within the approach of statutory and conceptual which was done by review all legal regulations related to the problems (legal issues).

Legal Material

For Primary legal material, which is Burgerlijk Wetboek (BW), the Constitutions Number 20/2016 (Presiden Republik Indonesia, 2016) about Brands and Geographic indication, the Constitution of Banks, (Presiden Republik Indonesia, 1999) The Constitution Number 42/1999 about the Fiduciary Guarantee and Implementing the Regulation. The secondary legal material is books, journal, research report, and article.

C. Result and Discussion

Trademark Right as Guarantee property

The effort of activity which conducted by banks are full of risks, banks required to manage those risks. Bramanto Djohanoputro stated that risk is often consider as uncertainty which interpreted by situation with several possibilities and each possibility could cause different results. The level of probability and probability of event is not known in quantitative meaning. While basic understanding of risk is related to the uncertainty measured by quantitative meaning (Djohanoputro, 2006). In field of Civil Law there are and understanding of risk which taught that risk is unexpected effect. In other words, Risk contains nuances of legal uncertainty (Januarita, 2020).²

Based on the Article 1 point 2 Financial Services Authority Regulations Number (Presiden Republik Indonesia, 2019)18/POJK.03/2016 about Application of Risk Management for Commercial Banks (POJK 18/2016) Risk is loss potential cause which occurred in certain event. While in Dictionary of Banks, the meaning of risk is the level of possibility losses that must be endure by the provision of credit, investment or other transaction such as wealth, losing, profit or another economic ability because a change of interest rates, government policy and business failure (risk).³ Therefore, bank should conduct an effective management related to credit risk. Efforts to apply management Risk are not only intended for the benefit of bank but also for customer interest in order to control the information transparency related with the product or Bank activities. A risk which has to manage by banks related to object guarantee of trademark rights include as legal risk. based on POJK 18/2016, Legal risk appear because of lack on supporting constitutions or bound weakness such as contract's legal requirements that not fulfilled the collateral agreement. Based on Black's Law Dictionary, Legal risk is: Potential affect in debt service or loan recovery as probability which caused by a defect in loan documentation (The Law Dictionary, 2020).⁴

The weakness of Binding such as contract's legal requirements are not fulfilled as determined in Article 1320 BW, which stated if the subjective requirement is not fulfilled, an agreement element and proficiency can be cancelled (*vernietig baar*) while if the objective requirement (the allowed related to the element of object and *causa*) are not fulfilled, then the agreement is cancel (*nietig*). If credit agreement as main agreement was cancelled, then guarantee of agreement as *accessoire/additional* agreement also cancelled. The existence of agreement guarantee depends on the basic agreement, which in this case is credit agreement. Legal risk can cause an imperfect contract agreement. If the brand has not been registered, there will not obtain any brand certificate. Brand certificate includes:

- a. Name and Full Address of registered trademark owner
- b. Name and Full Address of the Power of Attorney, in the case of an Application through a Proxy
- c. Receipt date
- d. The country name and the receipt date of the application for the first time in the case of an application being filed using Priority Rights
- e. Brand Labels that are registered, including information on the kinds of colors if the Brands use color elements, and if the Brands use a foreign language, letters other than Latin letters, and/or numbers that are not commonly used in Indonesian accompanied by translations in Indonesian, Latin letters and numbers that are commonly used in Indonesian and how to pronounce them in Latin spelling
- f. Number and registered date
- g. Class and types of goods and/or services whose marks are listed; and
- h. The period of validity of a Trademark registration.

² Ratna Januarita, Risiko Hukum, <https://crmsindonesia.org/publications/mengenai-risiko-hukum/>

³ <https://www.bi.go.id/id/Kamus.aspx> access date: 30 January 2020

⁴ <https://thelawdictionary.org/>, diakses pada tanggal 30 Januari 2020

Another legal risk is the existence of Brand cancellation taken by a side to look for and remove the existence of registration from General Brand List or consider as invalid rights based on brand certificates. In general, a side believes that he has been harmed by registration, therefore he is allowed to submit cancellation petition (Cantika, 2018). The claim for cancellation on registered brand was submitted to Commercial Court by an interested party based on the reasons as regulated in the presidential constitution (Presiden Republik Indonesia, 2016) Article 20 and/or Article 21 of Trademark and Geographical Indications Law. The unregistered brand owner⁵ can file a lawsuit after submitting an application to minister. The claim of cancellation for registered brand can only be submitted within a period of 5 (five) years from the trademark registration date. Cancellations can be filed indefinitely if there is an element of bad faith and/or The Brand concerned is against the ideology of the state, Laws and regulation, Morality, religion, decency, and general order. Commercial Court Decision on the cancellation can be submitted a cassation. The brand cancellations can make the brand deleted from General Brand List and brand certificate become no longer valid. If the brand certificate is no longer valid again then the guarantee agreements will be removed because the guarantee property was considered as destroyed. As the legal consequences, bank will be no longer considering as preferred creditor and change to concurrent creditor.

Risk Mitigation of Bank

In order to minimize legal risk which has been carried out by banks on collateral objects in form of trademark right, Bank should conduct an analysis of collateral objects. The main thing should be done is identify whether the trademark rights meet the legal and economic requirements as collateral or not, the requirements as following below (Usanti, Trisadini Prasastinah, 2017):

1. Preferred Trademark rights are owned by the potential Debtor customer, if the third party owned then ownership must be ensured.
2. Trademark rights are not in disputes because it is possible that brand certificates can be canceled, making it risky for banks.
3. Trademark rights are accepted as guarantee property if the trademark rights are registered Trademark rights in General Register of Trademark Rights in Directorate General of Intellectual Property Ministry of Law and Human Rights Republic of Indonesia with evidenced the existence of a Brand Certificate.
4. Bank must notice the period of protection of trademark rights, because the legal protection on Trademark Rights is registered for 10 years from the date of receipt. As example: receipt date of the application for registration of Trademark Right is 1 May 2019 then the protection will apply until 1 May 2029. The period of protection of trademark rights can be extended every 10 years continuously as long as the trademark rights concerned are still in used in the goods and services as listed Trademark Certificate and goods or the service is still in production and/or traded. If it is not used and no longer produced and/or traded, the application will be rejected. The holder of Trademark rights can already apply for an extension of Trademark Rights from 6 (six) month before the end of the Trademark rights protection period is registered and applications for extension can still be submitted no later than 6 (six) months after the end of the Trademark Rights protection period. This provisions means the owner of Trademark Rights it is not easy to lose the Trademark Right as a result of the delay in submitting an extension of registration of the Trademark Right.

⁵ Menurut Penjelasan Pasal 76 ayat (2) UU Merek dan Indikasi Geografis yang dimaksud dengan pemilik merek yang tidak terdaftar antara lain pemilik merek yang beritikad baik tetapi tidak terdaftar atau pemilik merek terkenal tetapi mereknya tidak terdaftar.

5. Banks must request the financial statements of the company which owns the rights to the trademark to know whether the rights to the brand have value or not.
6. Banks considering that the Trademark Right is Trademark Right that has a good reputation and has a market share.
7. Economic value in trademark right must be stable and it will be better if it increases.
8. Especially for Sharia Bank, have to make sure that Trademark Rights from halal products not from illegitimate products.
9. The Trademark right is free and is not being guaranteed by another party.

If the trademark already fulfill the juridical and economic requirement, then the important thing have to be conducted by bank is burden it with guarantee agency. The guarantee agency own the possibility to burden the fiduciary guarantee or mortgage insurance (Usanti, Trisadini Prasastinah dan Silvia, 2018). As in Bank of BNI Company (Persero) is using fiduciary guarantee agency while mortgage insure agency used by Bank Muamalat Indonesia. Guarantee burden on trademark right become very important as the position of bank is creditor determined by imposition of complete guarantee. complete guarantee illustrates in the table below:

Table 1. Burden Rights to Trademark Rights as Guarantee

No.	Information	Mortgage	Fiduciary Guarantee
1	Legal Basis	Article 1150-1160 BW	Constitutions Number 42/1999 Regarding the Fiduciary Guarantee (UUJF)
2	Deed Form	Based on The Article 1151 BW pledge agreement in written form	Based on the Article 5 paragraph (1) UUJF must be in the form of an authentic deed drawn up by a notary
3	Property rights born	When the object is handed over to a creditor or third party (inbezitstelling), Article 1152 (1) BW	When registered in electronically with the Law and Human Rights Office and recorded in the fiduciary registry office database, Article 14 paragraph (3) UUJF juncto Government Regulation Number 21/2015 concerning Procedures for Registration of Fiduciary Guarantees and Costs for Making Fiduciary Guarantees Deed
4	Parties Who Registered	In the mortgage there is no registration	Submitted by Fiduciary Recipients, their attorneys or representatives

Resources: own study

Beside the complete burdens, it needed to prepare clause in a mortgage and fiduciary guarantee agreement to provide legal protection for banks as creditors. For example, the minimum requirements contained in a mortgage agreement as follows: (Usanti, 2017).

- Related to the function of Trademark Right by mortgage owner, stated that wanprestasi (breach of contract) is not happen and discontinue, mortgage owner has the right to use the entire contract related to the Trademark Right connected to the third parties and gives the right to the third party to use Trademark Right as contained in The Rights certificates.
- Related to benefits and shares. As long as there is no breach of contract, the mortgage owner has the right to receive and maintain any other profits and shares the payment which connected to the Trademark Right. If there is any breach of contract, then the entire rights from mortgage owner

to give the right to third-party regarding the usage of rights and other divisions. After that all the rights to mortgage. The mortgagee has solitaire right to receive and maintain the Trademark Right and profit sharing.

- Prohibition that must be obeyed by Mortgage owner. That mortgage owner will not transfer or burdening Trademark Right permission in any kind of form. Mortgage owner prohibited to use Trademark Right which is contrast to the interests of the mortgage recipient.
- A Clause related to the solving lawsuit. If there is any breach of contract happen, recipient should extent the permission by applicable law and take all actions that in his own decision are deemed necessary to protect each of his rights under this agreement, including the limit to sell, transfer and submit any part of brand certificate through the direct sales, auction sales or any other method permitted by certain conditions.

In practice, trademark registration in Indonesia, within constitutive system. In this system, registrant has to register the brand to obtain a brand protection. This system confirms that the first man who register the brand then he has the right on the brand. Indonesia adhere to brand register constitutive system, the protection of famous brand which not registered in Indonesia will still get the protection, because Indonesia is already ratify Paris Convention and TRIPS Agreement. Application on principle of first to file will considered to be able to create several things such as:

1. Legal certainty on condition who actually owns the most important brand to be protected;
2. The proof of legal certainty, because only based on the fact of register from brand certificate. Register or brand certificate become the only one proof from primary evidence;
3. Achieve alleged law who the brand owner is most entitled to with certainty, not cause the controversial between the first register and first user (Novianti, 2017).⁶

As a registered Brand owner, a person have exclusive rights to prevent all the third party who did not have permission to use the brand in trading activities, the same rights, for goods or service which used identical or similar brand name, because used the same brand will cause a confusion (Djuwityastuti, dan Ahmad, 2019). It was stated by Nisrina Atikah that: (Atikah, 2019)

In Indonesia, registered trademark owner has exclusive right to use their trademark and give permission to another party to use their trademark. Based on TRIPS Agreement is affirmed that registered trademark owner has exclusive right to prevent third party who does not have the owner permission, to use it on trading activity, signs which have similarity, for the same commodity or service or similar with commodity or service on registered trademark, where it must be predicted before that is usage can cause a like hood of confusion. If a trademark is agreed to be registered, then registered trademark owner has exclusive right to use that registered trademark. There are two systems which are believed in trademark registration which are declarative system and constitutive system (attributive).

Beside it, there is several advantages of branding protection, which is stated by (Novianti, 2017)⁷

1. The Brands can help to obtain more income for company from license, selling, commercialization from the protection of brand.

⁶ Novianti, Perlindungan Hukum Pemegang merek terkenal dalam Perspektif Paris Covention dan Undang-Undang Merek, https://berkas.dpr.go.id/puslit/files/buku_tim/buku-tim-public-80.pdf. Diakses pada tanggal 31 Januari 2020.

⁷ Novianti, Perlindungan Hukum Pemegang merek terkenal dalam Perspektif Paris Covention dan Undang-Undang Merek, https://berkas.dpr.go.id/puslit/files/buku_tim/buku-tim-public-80.pdf. diakses pada tanggal 31 Januari 2020.

2. The brands can increase values or guarantee of investor and financial institution.
3. Significantly, in selling or merger asset brand can increase the company value.
4. The brand increases the performance and competitiveness.
5. By registered the brand, it will help the protection and enforcement of rights

The existence of brand as guarantee and the important meaning to minimize the risk on guarantee property in form of trademark right must concern by credit provider, as stated by (Nguyen, Xuan-Thao and Hile, 2018)⁸:

Trademarks have an illustrious history of serving as collateral in financing deals for business. A company in need of financing as far back as in the area of chattel mortgage could include trademarks in the mortgage grant for a loan. Then, if the company failed to repay the loan or meet its obligations under the mortgage agreement, the mortgagee would employ an agent to succeed to the mortgagor's business; it was the only way to foreclose on the trademark collateral. Much has changed in the financing landscape where trademarks are part of the collateral. One thing that does not changes, however, the creditors wanting to reduce their risks.

The opinion of Ruff, Brown & Platt and as quoted by Sri Mulyani explained that the use of trademarks as collateral for safe financial has become a good choice for the borrower. The brand rights as part of Intellectual Property Rights considered as more interesting than the other kind of guarantee because credit risk is lower and often trademark allows the borrowers to secure their financial without necessary to change their capital structure (Mulyani, 2012).

Conclusion

Even trademark right was accepted to conventional banks or sharia (Islamic) banks as guarantee property, however, as a financial instance bank have to anticipate the legal risk which possibly occurred on the brand, such as principal agreement contract which is not fulfill the conditions of agreement validity or collateral agreement that not consider as a complete contract, even on trademark certificates is possibly to be cancelled. When those cases occur, the position of bank as a creditor will be harmed because the bank's position is not as prioritized creditor, only as a concurrent creditor.

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⁸ Xuan-Thao Nguyen and Erisk D. Hile, The Puzzle in financing with trademark collateral, <http://www.law.uh.edu/ipil/symposium/2018/6778-the-puzzle-in-financing-with-trademark-collateral.pdf>. Diakses pada tanggal 31 Januari 2020.

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