

LAW PROTECTION OF INTELLECTUAL PROPERTY RIGHTS TOWARDS TRADE SECRET IN FRANCHISE AGREEMENT

Aniek Tyaswati W. L., SH,MHum

ABSTRACT

The use of Government Rule Number 42 Year 2007 about franchise bussiness and Ministry of Trade Rule Number 12/M.Dag./Per/3/2006 about Regulation of Franchise Bussiness Registration Letter Publishing obligate parties that are involved in franchise bussiness to do franchise agreement. Franchise agreement is one of law protection aspect to the parties from inflictation from others, this is because that agreement become a strong law base to stand law protection to those parties. If one party broke the agreement, so the other can prosecute that party as the established rule. In franchise bussiness there are some aspects that involved in: brand, copyrights, patent (common or simple), industry design, and trade secret. Each field has their own character. One of the most important aspect in the agreement is trade secret.

Keywords: Intellectual Property Rights Law protection, Trade Secret, Franchise

Introduction

The rise of economic activity and trading trade on human intelligence creation products, increase awareness of the country to give protection to Intellectual Property Rights, shorten by IPR. This is stated on General Agreement on Tarif and Trade (GATT), one of them is The Agreement of Trade Related Intellectual Property (TRIPs). Indonesia, as the member who signed the agreement, in short relative period has accomplished regulation in IPR which accommodate TRIPs' regulation. Now Indonesia has 6 regulation about IPR; they are Copyrights Law, Patent Law, Brand Law, Trade Secret Law, Industry Design Law, and Integrated Circuit Location Design Law.

Trade secret as part of IPR has spesific characteristic compared to other IPR fields. Especially trade secret is not being registrated as the other field of IPR, since if it is being registrated, all closed information ill be opened, so there is no secret. This trade secret is only being stated in Directorate General of IPR Law and Humanrights Department , to get the sertificate that show the legality properties of the trade secret.¹ As the development of Industry of National or International scope, it is a need to create a climate that support creation and inovation of the society by giving law protection towards Trade Secret as a part of IPR. Law Protection can give more motivation to the bussinessman so they ill be more innovative in creating new creations in trading and economic activity, since they feel safe and have opportunities to use it executively.

The use of intellectual properties in economic activity is commonly known by *Licensing Agreement*, that is permission to use intellectual property rightsfrom *licensor* to *licensee*. The use of *Licensing Agreement* makes the bussinessman able to produce through technology rent. One of license form IPR is *franchise* that is commonly being used to sell trade secret.²

Franchise in Indonesia called by waralaba, that is commonly known since 1970 through the entrance of Shaky Pisa, endys, KFC, Sensen and Burger King. Meanwhile the local bussiness concept of franchise is Es Teler 77. Franchise is always related to giving rights of using or taking benefit from certain IPR, for instance it is formed in the shape of trade secret, which is one of the most valuable bussiness asset and is protected for its confidentiality forever without time limit, where if the secret is opened to the other person will cause inflictation to the owner of trade secret. In order to protect the trade secret right, it is a need to hold agreement or treaty among the parties, that are giver and receiver of franchise bussiness that is stated in franchise agreement. This paper disscusses how law gives protection to the trade secret in franchise agreement.

Discussion

Warren J. Keegen in her book *Global Marketing Management*³ stated that international scope bussiness development can be done at least by these five ways:

¹ Etty Susilowati, 2012, *Pengantar Hak Kekayaan Intelektual*, Fakultas Hukum Universitas Diponegoro Semarang. P. 121

² Isran Idris. 2016, *Pengembangan Bisnis Rahasia Dagang Dengan Cara Franchise*. Online-journal.unja.ac.id/index.php/jimih/article/download/203/180. P.5. accessed on November 4th 2016.

1. By Exporting;
2. By license giving;
3. By franchising;
4. By the forming of joint ventures;
5. By total ownership, which is can be done through direct ownership or accuision.

Therefore, franchise is begun to be developed as alternative way to develop the bussiness, which is rely on the capability of the involved joint parties to develop the bussiness itself through regulation, process and a “code of conduct” and system that is established by the franchisor. In this franchise system, it is said that as a part of franchisee’s subservience to the rule given by franchisor, so the franchisee is given a right to use Intellectual Property Rights from the franchisor, in trade brand, service brand, logogram rights, industry design, patent of technology, and trade secret using. Franchisor then get royalti as the use of those intellectual property rights from the franchisee.⁴

Franchise or waralaba in *Black Law Dictionary* is defined by:

“A special privilege granted or sold, such as to use a name or to sell product or services in its simple terms, a franchise is a license from oner of a trademark or trade name permitting another to sell a product or service under that name or mark.

More broadly stated a franchise has evolved into an elaborate agreement under which the franchisee undertakes to conduct a business or sell a product or service in accordance with methods and procedures prescribed by the franchisor, and the franchisor undertakes to assist the franchisee through advertising, promotion and other advisory services.”

The definition of franchise above emphasizes on the rights giving to sell the products both goods and services by using the brand of the franchisor, by the obligation to the franchisee to follow the methods or rule or procedure that is established by the franchisor.⁵

Next, according to *Dominique Vollement*, as equated by Felix O. Soebagjo, franchise is defined as a way to do business cooperation between two or more company, one party as a franchisor and the other as a franchisee to do business activity, where it is regulated, that franchisor as the owner of a brand and *know how*, give the rights to franchisee to do the business activity based on that know how brand.⁶

The formula more emphasizes to engagement law aspect, which emphasizes to the definition of “how to do cooperation of business activity among two or more company”. But in the formula it is stressed of the owner of a brand and know how, to give its rights to franchise to do business activity based on that brand and know how.⁷

In Indonesia, franchise regulation is formerly stated in the government regulation number 16 year 1997 about franchise, then changed to government rule number 42 year 2007 about franchise and regulation of Trade Minister number 12/M.Dag/Per/3/2006 about Regulation of Franchise Bussiness Registration Letter Publishing that obligates involved parties in franchise system to do franchise agreement. Government rule number 42 year 2007 does not give the definition of franchise agreement. That rule just regulate about the content and clause of franchise agreement. And then the definition of franchise is defined according to the experts’ suggestion.

Related to intellectual property rights in franchise as stated above, that in article 3 Government Rule number 42 number 2007, it is known that franchise should cover the following criteria:

- a. Has unique and spesific business characteristic;
- b. Is proved to giving profit;
- c. Has the written standard as the service and goods and/or services provided;
- d. Is easy to teach and applicated;
- e. Has continuous support; and
- f. Has registrated intellectual property rights.

In explanation of article 3 Government Rule Number 42 Year 2007, it is stated that:

³ Warren JI Keegen, *Global Marketing Management*. 1898. P.294, in Gunawan Widjaya, 2002, *Lisensi atau Waralaba Suatu Panduan Praktis*, Divisi Buku Perguruan Tinggi PT Raja Grafindo Persada, Jakarta, p.1

⁴ Gunawan Widjaya, 2002. *Lisensi atau Waralaba Suatu Panduan Praktis*, Divisi Buku Perguruan Tinggi PT Raja Grafindo Persada, Jakarta, p.5

⁵ Opcit, p.15

⁶ Felix O. Subagjo in H.OK. Saidin, *Aspek Hukum Hak Kekayaan Intelektual (Intellectual Property Rights)*, Divisi Buku Perguruan Tinggi PT. Raja Grafindo Persada, Jakarta 2013, p. 514

⁷ Ibid p. 514

“Registrated IPR is IPR related to business as brand, copyrights, patent, and trade secret, has been registrated and has certificate or in the process of registration in related institution.”

As along by Budi Santoso, registrated IPR is a main requirement to do franchise. Without registrated IPR there is no franchise. That is a concept that is known among Indonesian Government. By making reference to article 3 Government Rule Number 42 Year 2007, that understanding need to be critisize, because considerate that all law protection of IPR field are always through registration process, yet some IPR field need no registration in law protection, such as copyrights and trade secret.⁸

In franchise business there are some IPR aspects; they are: brand, copyrights, patent (common or simple), industry design, and trade secret. Each of those IPR aspect has its on characteristic and the form of law protection that is different one to others. Some of the main aspects of IPR in franchise business are brand and trade secret.⁹

There are some terms to refer to the term of *trade secret*, some of them are *undisclosed information*, or *unknowledged information*.

The particular regulation that discuss about Trade Secret is Regulation Number 30 Year 2000 (later will be refered as Regulation of Trade Secret).

Definition limit of trade secret normatively as stated on Article 1 Regulation of Trade Secret is:

“Unacknowledged common information in technology and/or business field, that has economical value since it is useful in business activity, and is protected by the owner of trade secret.”

If we look ahead to the characteristic stated in the definition, it can be concluded that the common law characteristic of trade secret are:¹⁰

1. Information that is publicly unknown
2. Information involved in technology or business field
3. Has economic value that is useful in business activity
4. Protected by the owner.

Those information will be considered as secret if the information is publicly unknown by society or only known by certain people, both the founder and the user to hold profitable activity or commercial importance.

The information will be considered to have economic value if by its secrecy, those information can be used to conduct commercial activity or business and increase the profit economically.

The information will be considered to be protected for its secrecy if the owner or over bearer have done protection efforts through the way it should have been and sufficient to protect and keep its secrecy and its use.

Different from patent that is built from registration, trade secret is considered to be born when somebody found a new invention that is an information that has economical value, that is secretly saved and protected through certain reasons by its founder, as a secretly information. There is a probability that those trade secrets someday will change into patent, for instance when the founder of that information register it as a patent. If an information that is considered as a trade secret formerly, then it is defined as a patent specification or patent demand, then the information would not be considered as trade secret anymore.¹¹

The owner of trade secret has rights to:

1. Use trade secret privately
2. Give lisencc or forbid other parties to use trade secret or convey the trade secret to the third parties for commercial importance

Then, law protection of Intellectual Property Rights is closely related to the development of IPR's law itself, that is related to IPR registration system. Alteration from declarative system or “First to Use” principle to constitutive system or “First to File”

⁸ Budi Santoso, *Aspek Hak Kekayaan Intelektual (HKI) Dalam Bisnis Waralaba (Franchise)*, Naskah yang disampaikan pada Seminar Nasional Franchise sebagai Media Investasi, Fakultas Hukum Universitas Diponegoro, Semarang 17 November 2011, p.5

⁹ Ibid p. 6

¹⁰ Opcit p. 452

¹¹ Ahmad M. Ramli, *Perlindungan Rahasia Dagang Dalam UU No. 30/2000 Dan Perbandingannya Dengan Beberapa Negara*.

principle determined the development of the history of IPR protection. The thing that is referred to law protection of Intellectual Property Rights is the existence of a legal declaration of intellectual ownership that is attributed to its owner, to prosecute if the rights is being disturbed someone that inflict himself.¹²

The validation of Government Rule Number 42 Year 2007 about Franchise and Trade Minister Regulation Number 12/M.Dag/Per/3/2006 about Regulation of Franchise Bussiness Registration Letter Publishing obligate parties that are involved in franchise bussiness to do franchise agreement. Franchise agreement is one of law protection aspect to the parties from inflictation from others, this is because that agreement become a strong law base to stand law protection to those parties. If one party broke the agreement, so the other can prosecute that party as the established rule.

Government rule number 42 year 2007 does not give the definition of franchise agreement. That rule just regulate about the content and clause of franchise agreement. And then the definition of franchise is defined according to the experts' suggestion.

For further, Trade Minister Regulation Number 12/M.Dag/Per/3/2006 about Regulation of Franchise Bussiness Registration Letter Publishing stated:

"Franchise is an engagement of the franchisor and franchisee where the franchisee is given rights to run the business by using and/or taking benefit of intellectual property rights or invention or spesific characteristic owned by the franchisor for a royalti determined by franchisor by obligation to provide continuous operational consultation support by the franchisor to the franchisee".

Article 1 number 2 and 3 Government Regulation Number 42 Year 2007 stated that in franchise business there are two involved parties:

1. Franchisor, that is company or person that gives the right to the other parties to take benefit and/or use the owned franchise to the franchisee.
2. Franchisee, that is company or person that is given the rights by the franchisor to take benefit or use franchise owned by the franchisor.

Basic legal relation between those two parties in franchise is agreement. Until no there is no special regulation about franchise agreement in Indonesia. The entry of this agreement in Indonesia is refered to contract freedom principle (Chapter 1338 Article (1) Civil Code). Common regulation in Civil Code Article 1319 is valid to this kind of franchise agreement. It is mentioned to all agreement both which has special name (nominaat) and which has no special name (innominaat).¹³

The new franchisee should pay attention to the object of franchise moreover in trade secret offered by franchisor, so the bussiness agreed in the agreement could rum well and earn a big profit. "Franchise Agreement always content a clausula that forbids the parties (both franchisor and franchisee) to give trade secret to the third parties that have no importance to the bussiness."¹⁴

Keeping trade secret is a must because the most important object in franchise is the trade secret itself, if trade secret is known by public, then the other party would have been able to do the similar/same bussiness as the franchisor and franchisee, even become their competitor.¹⁵

Commonly, franchise agreement is done in formal form, that is that agreement is made by one side by the franchisor. As a maker, franchisor often emphasizes franchisee's obligation rather than it's right, and more stresses in franchisor's right rather than it's obligation. Yet, until now there is no special regulation discuss about franchise agreement.¹⁶

In the franchise agreement there are some rules related to obligation and rights of franchisee and franchisor. The points that are regulated by law and constitution are *das sollen* that should be obeyed by the parties in franchise agreement.

¹² Lapon Tukan Leonard, 2000, *Seminar Nasional Penegakan Hukum HKI Dalam Konteks Perlindungan Ekonomi Usaha Kecil Dan Menengah, Kerjasama Klinik HaKI Fakultas Hukum UNDIP dengan Jetro*, Semarang 25 November 2000, p. 2

¹³ Malikhatun Badriyah. 2011. *Upaya Perlindungan Hukum Bagi Para Pihak Dalam Perjanjian Franchise Dengan Pemuliaan (Breeding) Asas – asas Hukum Perjanjian*. Naskah disampaikan pada Seminar Nasional "Franchise Sebagai Media Investasi". Fakultas Hukum Universitas Diponegoro Semarang. p.4

¹⁴ Lindaati S. Seu in Isran Idris. *Pengembangan Bisnis Rahasia Dagang dengan Cara Franchise*. Online-journal.unja.ac.id/index.php/jimih/article/download/203/180.p. 12 accessed on November 4th 2016.

¹⁵ Ibid p. 12

¹⁶ Malikhatun Badriyah Opcit, p.

Related to Trade Secret in franchise agreement, the aspects of trade secret include production methods, processing methods, selling methods, or any other informations in technology and/or business that have economical value and unknown by public society. In fact, the parties of this agreement often do action out of the agreement in the implementation of this Trade Secret, that caused law sanction, and if this happened, there would be a case or legal dispute. Legal effort could be done if there is a violation done by some parties intentionally by revealing trade secret, breaking the agreement or disobeying written or unwritten obligation to keep the pertinent trade secret, so the owner of trade secret rights or the receiver of the license could claim the parties that intentionally or unintentionally did the violance. Besides by side on the Court (ligitation), the parties could overcome the dispute by non-Court way (non-ligitation), that would be through Arbitrase or Dispute Solving Alternative (such as negotiation, mediation, and consoliation).

Conclusions

1. The enactment of Government Regulation No. 42/2007 concerning franchising and the Regulation of the Minister of Trade No. 12 / M.Dag / Per / 3/2006 on Provisions and Procedures for Issuance of Franchise Business Registration Certificates requires parties involved in the franchise system to enter into franchise agreements .
2. Franchise agreement could be a strong base law to give law protection to the involved parties in franchise system, include trade secret. If one party broke the content of the agreement, the inflicted party could prosecute the inflicting party as the valid rule.

Recommendation

1. The Franchise Agreement becomes the legal basis protecting the parties to the franchise's activities, the parties must always comply with the contents of the agreement.
2. To obtain protection of Secret Trade, it is no need to do registration (it is automatically conducted), since the constitution directly protect Trade Secret if the information is completely a secret, has an economic characteristic and protected for its secrecy, except for given license for Trade Secret. License of trade secret must be registered to General Directory of Intellectual Property Rights (Dirjen HKI).

References

Book

- Ahmad M. Ramli, 2001, *Perlindungan Rahasia Dagang Dalam UU No. 30/2000 Dan Perbandingannya Dengan Beberapa Negara*. Penerbit Mandar Maju, Bandung,
- Etty Susilowati, 2012, *Pengantar Hak Kekayaan Intelektual*, Fakultas Hukum Universitas Diponegoro Semarang.
- Felix O. Subagio in H.OK. Saidin, 2013, *Aspek Hukum Hak Kekayaan Intelektual (Intellectual Property Rights)*, Divisi Buku Perguruan Tinggi PT Raja Grafindo Persada, Jakarta,
- Gunawan Widjaya, 2002, *Lisensi atau Waralaba Suatu Panduan Praktis*, Divisi Buku Perguruan Tinggi PT. Raja Grafindo Persada, Jakarta,
- H. OK. Saidin, 2013, *Aspek Hukum Hak Kekayaan Intelektual (Intellectual Property Rights)*, Divisi Buku Perguruan Tinggi PT. Raja Grafindo Persada, Jakarta,
- Insan Budi Maulana, 2001, *Langkah Awal Mengenal Undang – Undang Rahasia Dagang*, PT. Citra Aditya Bakti, Bandung,
- Lapon Tukan Leonard, 2000, *Seminar Nasional Penegakan Hukum HKI Dalam Konteks Perlindungan Ekonomi Usaha Kecil Dan Menengah*, Kerjasama Klinik HaKI Fakultas Hukum UNDIP dengan Jetro, Semarang 25 November 2000
- Muh Nurrachmad, 2012, *Segala tentang HAKI Indonesia Buku Pintar Memahami Aturan HAKI Kita*, Buku Biru, Yogyakarta,
- Richard Burton Simatupang, 2003, *Aspek Hukum Dalam Bisnis*, PT. Rineka Cipta, Jakarta
- Warren JI Keegen, *Global Marketing Management*. 1898. P.294, in Gunawan Widjaya, 2002, *Lisensi atau Waralaba Suatu Panduan Praktis*, Divisi Buku Perguruan Tinggi PT Raja Grafindo Persada, Jakarta,

Papers

- Budi Santoso, *Aspek Hak Kekayaan Intelektual (HKI) Dalam Bisnis Waralaba (Franchise)*, Naskah yang disampaikan pada Seminar Nasional Franchise sebagai Media Investasi, Fakultas Hukum Universitas Diponegoro, Semarang 17 November 2011
- Malikhatus Badriyah. 2011. *Upaya Perlindungan Hukum Bagi Para Pihak Dalam Perjanjian Franchise Dengan Pemuliaan (Breeding) Asas – asas Hukum Perjanjian*. Naskah disampaikan pada Seminar Nasional “Franchise Sebagai Media Investasi”. Fakultas Hukum Universitas Diponegoro Semarang.

Website

Isran Idris. *Pengembangan Bisnis Rahasia Dagang Dengan Cara Franchise*. Online-journal.unja.ac.id/index.php/jimih/article/download/203/180. P.5. accessed on November 4th 2016.

Lindaati S. Seu in Isran Idris. *Pengembangan Bisnis Rahasia Dagang dengan Cara Franchise*. Online-journal.unja.ac.id/index.php/jimih/article/download/203/180.p. 12 accessed on November 4th 2016.

Laws and Regulations

Undang Undang Nomor 30 Tahun 2000 *Tentang Rahasia Dagang*

Undang Undang Nomor 15 Tahun 2001 *Tentang Merek*

Peraturan Pemerintah Nomor 42 Tahun 2007 *Tentang Waralaba*

Peraturan Menteri Perdagangan Nomor 12/M.Dag/Per/3/2006 *Tentang Ketentuan dan Tata Cara Penerbitan Surat Tanda Pendaftaran Usaha Waralaba*

Aniek Tyaswati W. L., SH,MHum

Law Faculty Lecturer in 17 Agustus 1945 University Semarang

Doctoral Student of Law of 17 Agustus 1945 University Semarang

aniek.tyas@yahoo.co.id