



May 10, 2016

The Honorable Drs. Uli Sintong Siahaan and M. Si.  
Division Heads  
Special Committee on the Draft Patent Bill  
Gedung MPR/ DPR RI  
Gedung Nusantara 2, 3rd Floor, Ruang Pansus B  
Jl. Jend Gatot Subroto No. 6  
Jakarta, 10270  
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Dear Drs. Siahaan and Si:

Intellectual Property Owners Association (IPO) appreciates the opportunity to comment on the Indonesian Draft Patent Bill (Draft) released by the Special Committee.

IPO is an international trade association representing companies and individuals in all industries and fields of technology who own, or are interested in, intellectual property rights. IPO's membership includes more than 200 companies and more than 12,000 individuals who are involved in the association either through their companies or as inventor, author, law firm, or attorney members. IPO membership spans 43 countries.

IPO applauds Indonesia's introduction of revised Patent laws and generally supports Indonesia's efforts in updating those laws. Upon careful review of the Draft, IPO has several concerns and suggestions for clarification about specific Articles.

### Article 1—Patent and Patent Holder

Article 1.1 defines a "patent" as "the exclusive right given by the State to inventors for their invention products in the field of technology for certain period of time to use the invention themselves or to approve others to use it." In jurisdictions around the world, patent laws delineate the scope of the exclusive right granted the patentee, and those generally include the right to exclude others from making, using, selling, offering to sell, or importing the patented technology. We encourage that the definition be amended accordingly to clarify the scope of the exclusive right.

### Article 3—Simple Patent

Article 3.2 provides for a "simple patent" that is similar to a "utility model" found in other jurisdictions. A simple patent is easier to obtain and more difficult to invalidate because there is no inventiveness requirement. It also includes claims with fewer elements, which makes it easier to read on potential infringing devices. We believe simple patents impede technological advancement and are disruptive to the economy.

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Investors and companies might be discouraged from investing in enterprises and technologies when they fear that simple patents might be asserted against them. Such fear will likely be exacerbated if an act of infringement might result in a sentence of confinement as presently provided in Article 154. IPO recommends eliminating from the Draft all provisions providing for a simple patent.

#### Article 4—Exclusions from Invention

Article 4.d excludes “rules and methods containing computer programs only” from the definition of invention. The comments for this section explain that this means “any computer program containing programs only with no[] character, technical effect, and problem-solving.” We understand Article 4.d would therefore exclude inventions that are software per se only if they do not have “character, technical effect, and problem-solving.” If our understanding is incorrect, we recommend clarifying this section and the corresponding comment. In addition, definitions are needed for “character, technical effect, and problem solving.”

We are concerned about the potentially negative consequences to Indonesia’s economic and technological development if the patentability of software-related inventions were in question. Given that software is prevalent in virtually all areas of technology, it is likely that software-related inventions will be generated specific to problems that need to be solved in various fields. We recommend amending Article 4.d to clarify that software-related inventions are not excluded.

Article 4.f.i. excludes the discovery of “a new usage for an existing product” from the definition of invention. This is contrary to a majority of jurisdictions including the U.S. and Europe, which consider a discovery of a new use for an existing product patent-eligible. In the pharmaceutical industry, new inventions often involve discovering new uses for existing compounds. Even if an old compound is known, it may not have been ever developed in a therapeutic product and therefore the patenting of this new use is critical to provide an incentive for development. If the older compound was used in an existing product, the patented new use would not prevent the public from the using the product for its original use, but it would incentivize scientists to continue searching for new indications. IPO believes that the requirements of novelty and inventive step will serve to prevent patents from issuing for undeserving discoveries of new uses for existing products. We recommend eliminating this section.

#### Article 7—Inventive Steps

Article 7(1) states, “Any Invention containing inventive steps if the Invention for someone who have certain expertise in technical field is something unpredictable previously.” It appears the term “containing” might be need to be corrected to say “contains.” Further, the language “someone who have certain expertise in technical field” is unclear. We suggest that such terminology be replaced by “someone with ordinary skill in the technical field” or similar language that is commonly used in most jurisdictions.

#### Article 12—Inventor Reward

Article 12 provides generally for inventor rewards and Article 12(4)(a-e) lists several factors to consider in determining such rewards. One of those factors includes “another form as agreed

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upon by the parties; the value of which shall be determined by the relevant parties.” It is unclear whether an agreement between an employer and an employee as to how the employee is to be rewarded for his invention precludes all other factors or if it is merely one of several factors in determining a reward for an inventor for a specific invention. IPO suggests clarifying that an agreement between an employer and an employee governs regardless of all other factors, which should only be considered in the absence of an agreement.

IPO believes that there are important reasons why an agreement between an employer and an employee as to the appropriate reward for the creation of inventions should govern over other factors. For example, it is likely that complex products like automobiles, airplanes, computer processors, software systems, and the like, which are produced by various manufacturers, might include many different inventions created by many different inventors. It is extremely difficult in such circumstances to determine the appropriate inventor reward for each inventor.

Further, employers need to have the freedom to contract with their employees to specify how employees are to be compensated, which makes costs manageable and ensures that a given enterprise can operate successfully.

Finally, there is a significant degree of unpredictability with respect to the cost of research and development when the amounts of rewards for inventions are unsettled. Article 12(5) as currently worded would increase that unpredictability by permitting inventors who disagree with the amount of reward received to file suit. Under the current provisions of Article 12, it also appears that an unreasonable or recalcitrant inventor might be able to game the system by refusing a reasonable agreement with the employer and filing suit in an attempt to obtain a larger reward. We believe this unpredictability would discourage employers from setting up research and development facilities in Indonesia.

### Article 14—Scope of Former User Rights

Article 14 states that “the parties exercising an Invention when the application of the same Invention is submitted, shall remain entitled to exercise their Invention even though to the same Invention a Patent is given later.” We believe this Article needs to be clarified to specify that the scope of the former use is limited to the original scope of the use at the time the patent application was filed.

IPO also believes that any former user rights should exist for substantial preparation or actual use prior to the earlier of either an applicant’s earliest effective priority date for a claimed invention, or a non-prejudicial disclosure of the claimed invention. We recommend amending the language “when the application of the same Invention is submitted” in Article 14 accordingly.

### Article 15—Application for Former User Rights

Article 15 states that “The parties exercising an Invention as referred to in Article 14 can only be acknowledged as former users if upon the grant of Patent to the same Invention, they submit an application as former users to the Minister.” Article 15 does not contemplate what happens if a prospective former user is unaware that a relevant patent application was filed. Often potential patent infringers do not know that a patent exists until the patent owner alleges they infringe.

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IPO suggests amending this Article to provide a time period, such as six-months, after receiving notice in which a prospective former user must submit the application as a former user.

### Article 18—Exclusive Rights and Process Patents

Article 18(1) provides, in addition to the right to exclude others, that a patent holder “shall have exclusive rights to exercise” the patent. IPO recommends deleting this phrase. As noted in the discussion of “patent” above, generally a patent grants the patent holder only the right to exclude others. Prior patent claims often cover elements of subsequent patents and a patent holder might not be able to use his own invention without infringing those prior claims. Cross-licensing between earlier and later patent holders ameliorates this situation.

Article 18(1)(b) specifies that the patentee can prohibit others from using a “patented process to make goods or other actions.” Article 18(2), however, states that this prohibition “applies only to the import of product produced merely from the use of [a] patented process.” IPO notes that it is common in other jurisdictions to extend patent protection to products made using patented processes. IPO suggests that Article 18 be amended to specify that products made from processes domestically in Indonesia should fall within the scope of infringement.

### Article 19—Domestic Use Requirement

Article 19 indicates that “The Patent Holder must make the product or use the process in Indonesia.” This domestic use requirement is contrary to the patent laws in most jurisdictions throughout the world. IPO recommends eliminating this Article.

It is widely accepted that patent holders should be able to assert patent rights subject to their overall business strategy. Some manufacturers might wish to use patents defensively, such as by asserting patent infringement only in response to patent infringement allegations against the manufacturer. In addition, patent rights might be held by one entity, with the patented products being made or patented processes being used by other entities such as licensees or affiliates.

Requiring patent holders to make a product or use a process that is the subject of every patent will create a significant administrative burden. It can be difficult for patent holders to ensure that their products or processes encompass the claims of their patents given that such products and processes are likely to change over time. Also, it can take several years for a product to be made or a process to be used given the time necessary for research, development, and commercialization. It is likely that there would be instances where a patent issues before a product could be made or a process could be used.

IPO believes that Article 19 would provide a significant disincentive for seeking patent protection in Indonesia, especially for entities that do not have local operations there. This would negatively affect the economic and technological development of Indonesia.

### Article 59—Effective Date

Article 59 states that a “Patent shall be in full force and effect on the date a Patent certificate is given and retroactively effective since the Receipt Date.” The “Receipt Date” is defined as “the

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date on which the Application qualifying the minimum requirements is received.” IPO recommends not giving “full force and effect” to a patent retroactively to the receipt date. Before a patent certificate is given, others might not be certain as to the scope or validity of the patent. For example, the scope of the invention described in the claim might change after the receipt date, or the patent might be rejected. Therefore, IPO suggests amending Article 59 to provide that full force and effect is given to a patent on the date the patent certificate is granted. (IPO also recommends similarly amending Article 137 to be effective from the grant date rather than receipt date.)

In addition, we suggest that Article 59 be further amended to state that the patent holder should be given a reasonable royalty for use of a patented invention during the time period after a potential infringer has notice that the application is published (announced) and before the patent certificate is given if the invention claimed in the application as published is substantially the same as the invention claimed in the patent certificate. This change would balance the need of Patent Holders to recover damages for at least part of the infringement occurring during the pendency of a patent application with the need to provide notice to potential infringers of the existence of a patent directed to a given technology.

### Article 75—Prohibited Licensing Provisions

Article 75 prohibits a license agreement from including any provisions that “may cause any loss to Indonesia’s economy” or any limitations that “hinder Indonesia’s capability in performing a transfer, mastery, and development of technology.” We are concerned that the scope of Article 75 is unclear and overly broad and would negatively affect a patent holder’s legitimate exercise of its patent right. IPO respectfully recommends that Article 75 be deleted.

A fundamental principle of patent law is that a patentee has the right to exclude others from practicing the claimed invention without the patentee’s permission. A license agreement is bargained-for permission for a licensee to practice the invention in exchange for certain benefits to the patent holder. It is common for a licensee to agree to restrictions involving scope, duration, geography, use, and other conditions. These restrictions could be broadly, but incorrectly, interpreted as hindering Indonesia’s capability to transfer or develop technology, and thus be prohibited under Article 75.

In addition, a license is a key instrument through which technology is transferred. Allowing for an attractive return to the patent holder is necessary to promote and create incentives for technology transfer into Indonesia. It is very difficult to determine whether the balance of the value of the technology introduced and the reward to the patent holder leads to a “loss to Indonesia’s economy.” We believe that parties to a license are in the best position to make such an assessment and we encourage the freedom to contract in place of Article 75.

### Article 76—Registration of License Agreement

Article 76 provides that a license agreement should be registered and published with the Minister, and failing registration, the license agreement shall have no legal consequence against

any third party. We believe that this Article imposes impractical and burdensome conditions on patent licensing.

Registration of a patent license agreement is often not feasible. License agreements commonly include confidential information, and in many instances the existence of a license itself is confidential. Requiring registration and publication of license agreements would be detrimental to the interest of the parties and hinder Indonesia's objective of promoting the use of patents and transfer of technology. In addition, it is very common for licenses to be defined by a certain technical field without listing the licensed patents. Even with a list of such patents, the portfolio might include pending patent applications, which dynamically changes the patent assets being licensed.

We recommend revising Article 76(1) to permit, rather than require, registration with the Minister, *i.e.*, "The License agreement ~~may should~~ be registered," and replacing Article 76(2) to state that non-registration will not affect the validity or enforceability of a license agreement. We also recommend deleting Article 76(3) for the reasons set forth above regarding Article 75.

#### Article 79 (and Article 19 as it relates to Article 79)—Compulsory Licenses Generally

Article 79 provides for grounds under which a compulsory license may be granted, including for failure to meet Article 19(a)'s requirement that the patent holder make the product or use the process in Indonesia. As a general proposition, we believe that compulsory licenses should be considered only in very limited situations like national emergencies under Article 79(1)(d). We recommend deleting subsections (a)-(c).

To permit compulsory licenses under subsections (a)-(c) would undermine the purpose of the patent system, and also pressure patent owners to negotiate licensing terms under duress to avoid a compulsory license. These negative consequences are equally detrimental to domestic and foreign owners of Indonesian patents.

Specifically, subsection (a) and Article 19 do little to influence commercialization and actively prevent the legitimate assertion of a patent by patent holders who are trying to license, but have not yet been successful in licensing or otherwise exercising, their patent. Further, defending against a compulsory license might require the patent holder to disclose confidential information, which is detrimental to patent holders who commercialize in Indonesia.

We are also concerned that the phrase "cause losses to the society" in subsection (b) is unclear and might be subject to abuse. This provision would be dangerous if "society" is improperly interpreted, which would significantly harm a patent holder's interest. Because a patent is a right to exclude by definition, under a broad interpretation of this subsection a typical patent enforcement action could be interpreted as causing loss to society. A competitor or group of competitors to a patent holder could leverage this section to compel the patent holder to negotiate a license on terms detrimental to the holder's interest.

With respect to subsection (c), many patents cover the same field of technology and have overlapping scope, and thus it is very common for one patent owner to be constrained from practicing its patent in view of a patent by another patent owner, and vice-versa. These

situations encourage cross-licensing, including across different technology areas, for both patents and know-how, which is beneficial to Indonesia's technological development. We believe the law should not interfere or provide an advantage to one party over another through threat of a compulsory license.

Subsections (a)-(c) also do not comply with the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS). In TRIPS, the non-exercise of a patent right per subsection (a), causing losses to society per subsection (b), or being precluded by a dominant patent per subsection (c), are not grounds for granting a compulsory license.

#### Article 88—Pharmaceutical-Related Compulsory Licenses

Article 88, which requires compulsory licenses for certain pharmaceutical products, creates significant uncertainty and burden for entities that produce such products without sufficient justification. We strongly recommend eliminating the imposition of compulsory licenses as set forth in Article 88.

The development of patented pharmaceutical products involves substantial investment. If compulsory licenses are imposed, pharmaceutical patent holders in Indonesia will be unable to realize that the full value of that investment. As a consequence, pharmaceutical companies might seek to avoid filing patents in Indonesia and needed pharmaceutical products might be less likely to enter the country, which would negatively affect Indonesia's broader health objectives.

Experience and current research regarding compulsory licensing around the world has not been positive. Specifically, compulsory licensing has not proven effective in lowering prices for or improving access to pharmaceutical products. Further, compulsory licensing does not address systematic barriers to healthcare access such as underdeveloped healthcare delivery systems, low national healthcare funding, or high taxes or tariffs on drugs. It is likely that the effect on public health objectives by the imposition of Article 88's compulsory licenses will be the opposite of that intended.

Article 88 also unnecessarily requires disclosure of private licensing agreements and provides for compulsory licensing for patented products manufactured outside of Indonesia. This is inconsistent with the obligations of Indonesia to the World Trade Organization.

If not eliminated entirely, then Article 88 should be amended to specify that the decision to impose a compulsory license must be made on the basis of substantial public health concerns. Additionally, the decision to impose any type of compulsory license should involve a fair and transparent procedure that invites input from all stakeholders.

#### Article 138—Patent Infringement Suit

Article 138 states that a "Patent Holder or Licensee is entitled to file a lawsuit for compensation to a court against any Person who *deliberately* and illegitimately commits the actions as referred to in Article 18, sub-article (1)" (emphasis added). Under this provision, a patent holder or licensee could not recover from a person who commits infringing activities non-deliberately. It is widely held, however, that patent holders or licensees can recover compensation or obtain an

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injunction as the result of non-deliberate actions. Without an adequate remedy for non-deliberate actions, third parties might become willfully ignorant of the existence of patents so as to avoid infringement liability. Alternatively, third parties might deliberately use a patented invention if they have a good faith belief that the patent is invalid. Finally, the non-deliberate infringer would unjustly receive the benefit of the patented invention with no reward to the patent owner. Therefore, IPO respectfully recommends that the term “deliberately” be removed.

### Article 139—Venue

Article 139(1) requires that lawsuits be filed “to a commercial court within the legal area of residence or domicile of the defendant.” IPO respectfully suggests that this article be amended to allow also for the lawsuit to be filed in the legal area where the violation occurs. Including such a venue would aid in investigation of the suit. Moreover, changing to the place of violation parallels Article 149, which states that “the application for provisional decree shall be submitted in writing to a commercial court within the legal area in which the violation of Patent occurs.” If Article 139 is left unchanged, it could result in two different courts adjudicating the matter, which might lead to inconsistency and a burden on judicial resources.

### Article 148—Provisional Decrees

Article 148 refers to provisional decrees being issued at the request of “the parties finding themselves placed unfairly at a disadvantage due to the exercise of [a] Patent.” It is unclear how one would determine that parties are unfairly disadvantaged by the exercise of a patent. It appears this provision is meant to provide preliminary injunctive relief for the patent holder or licensees against infringing parties in urgent circumstances. IPO recommends that this language be clarified.

Subsection (a) purports to prevent import of goods, but we suggest that other acts of violation as described in Article 18 (making, using, selling, offering for sale, or importing) should also be covered in a provisional decree.

Subsection (c) discusses “putting an end to the violation in order to prevent a greater loss from happening.” This appears to correspond to a temporary injunction as it is a “provisional” decree. We are concerned that there are no provisions for a permanent injunction anywhere in the Draft, even though an injunction is a basic remedy available to patent holders elsewhere in the world. Article 44 of TRIPs states that “the judicial authorities shall have the authority to order a party to desist from an infringement.” We suggest that patent holders be able to request that a violation be ended as a final matter if they should seek a permanent injunction.

### Article 153—Criminal Penalties

Article 153 and Chapter 16 provide criminal penalties for violations of patents. In most jurisdictions around the world, patents are considered civil, rather than criminal, disputes. Criminal penalties are not required under TRIPs, nor is criminal liability imposed in the patent laws of many countries, including Japan, the U.S., and the United Kingdom. If a patent holder can obtain a remedy through compensation or injunction, criminal penalties seem overly harsh and unnecessary. Accordingly, IPO respectfully suggests that criminal liability for patent violations be removed from the Draft.

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IPO again thanks the Special Committee for the opportunity to comment on the Draft. Please let us know if you have any questions, require additional clarification, or would otherwise wish to further discuss our comments.

Sincerely,



Kevin H. Rhodes  
President