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Parameters of Bad Faith and Substantial Similarity in Trademark Cancellation Disputes

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Original Article

Abstract

The protection of trademarks under Indonesia's first-to-file registration system presents significant challenges in establishing the legal parameters of bad faith and substantial similarity as grounds for trademark cancellation. This study examines the criteria for determining bad faith and assessing substantial similarity, focusing on visual, phonetic, and conceptual similarities, dominant elements, and the likelihood of consumer confusion. Using a normative legal research methodology, this study adopts statutory, case law, and conceptual approaches, with particular reference to Law No. 20 of 2016 on Trademarks and Geographical Indications and the DENZA trademark dispute. The findings reveal that bad faith should be assessed based on several factors, including the applicant's prior knowledge of an existing trademark, the chronology of registration, the relationship between the parties, and evidence of an attempt to exploit another party's reputation (free-riding). Meanwhile, substantial similarity should be determined by examining the overall impression created by the competing marks and the likelihood of consumer confusion. This study concludes that the first-to-file principle is not absolute and must be applied in a manner that balances trademark protection, legal certainty, and substantive justice.

Keywords: *Bad Faith, Substantial Similarity, Well-Known Trademarks, First-to-File Principle*

Abstrak

Perlindungan merek dalam sistem pendaftaran first to file di Indonesia menghadapi tantangan dalam menentukan itikad tidak baik dan persamaan pada pokoknya sebagai dasar pembatalan merek. Penelitian ini bertujuan menganalisis parameter itikad tidak baik serta batas penentuan persamaan pada pokoknya dengan mengkaji aspek visual, fonetis, konseptual, unsur dominan, dan potensi kebingungan konsumen. Penelitian menggunakan metode hukum normatif dengan pendekatan perundang-undangan, kasus, dan konseptual, khususnya terhadap Undang-Undang Nomor 20 Tahun 2016 serta putusan sengketa merek DENZA. Hasil penelitian menunjukkan bahwa itikad tidak baik harus dinilai melalui pengetahuan pemohon, kronologi pendaftaran, hubungan antarpihak, dan indikasi pemboncengan reputasi. Persamaan pada pokoknya ditentukan berdasarkan kesan keseluruhan dan kemungkinan kebingungan konsumen. Penelitian menyimpulkan bahwa prinsip first to file tidak bersifat absolut dan penerapannya harus menjamin keseimbangan antara perlindungan merek, kepastian hukum, dan keadilan substantif.

Kata kunci: *Itikad Tidak Baik, Persamaan pada Pokoknya, Merek Terkenal, First to File*

1. INTRODUCTION

A trademark is an essential instrument in commercial transactions, functioning as a distinctive sign that enables consumers to identify the source of goods or services and distinguish one business's products from those of its competitors. Beyond its source-identifying function, a trademark embodies the reputation, quality, and economic value developed through commercial activities.[1] Trademark protection therefore serves as a fundamental legal mechanism for establishing ownership certainty, preventing unfair competition, and protecting consumers from confusion regarding the origin of goods or services. In Indonesia, trademark protection is governed by a constitutive registration system based on the first-to-file principle, as provided under Article 3 of Law No. 20 of 2016 on Trademarks and Geographical Indications (hereinafter referred to as the Trademark Law). Under this system, trademark rights arise upon registration. Accordingly, registration establishes formal legal certainty concerning the rights holder, the registration date, and the scope of legal protection.

The first-to-file principle should not be construed as an absolute basis for determining trademark ownership. Trademark registration must also satisfy substantive legal requirements, particularly the requirement of good faith and the prohibition against substantial similarity to trademarks that have already been legally protected in the name of another party.[2] Article 21(1) and Article 21(3) of the Trademark Law prohibit the registration of trademarks that are substantially similar to well-known marks, as well as applications filed in bad faith. Furthermore, Article 76 provides a legal basis for interested parties to seek trademark cancellation through judicial proceedings on the grounds specified in Article 20 and/or Article 21. In this respect, Indonesia's trademark registration system seeks to reconcile administrative certainty, as established through the first-to-file principle, with substantive fairness, as safeguarded by the requirements of good faith and the prohibition against substantial similarity.

The Trademark Law does not provide sufficiently detailed operational criteria for determining these two substantive elements. Although the Elucidation of Article 21(3) associates bad faith with acts of imitating, plagiarizing, or reproducing another party's trademark for the purpose of unfair competition, it does not establish systematic criteria for assessing an applicant's prior knowledge, the relationship between the parties, the chronology of trademark use, or the underlying intent behind a registration application as indicators of dishonest conduct. Similarly, determining substantial similarity requires an examination of the visual, phonetic, and conceptual characteristics of competing marks, an assessment that may produce inconsistent judicial interpretations.

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1 Irene Calboli and Jane C. Ginsburg, eds., *The Cambridge Handbook of International and Comparative Trademark Law*, 1st ed. (Cambridge University Press, 2020), https://doi.org/10.1017/9781108399456.

2 Bobby Adhityo Rizaldi and Yuliasara Isnaeni, "The Application of the First-to-File Principle in Trademark Protection: A Juridical Analysis," *Lex Publica* 13, no. 2 (2026): 289–309, https://doi.org/10.58829/lp.13.2.2026.367.

These legal complexities are illustrated by the DENZA trademark dispute between BYD Company Limited and PT Worcas Nusantara Abadi. The Commercial Court dismissed the lawsuit not on the basis of a substantive determination concerning bad faith or substantial similarity, but because the disputed trademark had been transferred to a third party before the lawsuit was filed. The Supreme Court subsequently rejected the plaintiff's appeal and granted the defendant's appeal on the grounds that the plaintiff had incorrectly identified the party against whom the lawsuit was brought (error in persona). This development demonstrates that the effectiveness of trademark protection depends not only on establishing whether an infringement or violation of trademark rights has occurred but also on correctly identifying the legal entity that must be named as the defendant.[3] The proper identification and legal standing of the parties are therefore critical procedural considerations in determining whether a court can proceed to examine the substantive merits of a trademark cancellation claim.

Existing academic discussions on trademark protection under the Trademark Law have predominantly examined the application of the first-to-file principle, the determination of bad faith, and the assessment of substantial similarity as separate legal issues. These issues, however, are intrinsically interconnected because the exclusive rights arising from trademark registration do not exempt applicants from the obligation to act in good faith or from the prohibition against registrations that prejudice the legitimate interests of other trademark owners. Previous studies suggest that these dimensions have largely been examined independently, leaving their interrelationship insufficiently explored. Anis and Fuad, in their study of legal certainty in the application of the first-to-file principle through the Elang Dua, IKEA, and PITI cases, demonstrate that although prior registration provides a formal basis for establishing trademark ownership, its application remains problematic when competing claims involve earlier trademark use and an established commercial reputation.[4] Similarly, Nino et al., through their examination of the Polo By Ralph Lauren dispute, demonstrate that the first-to-file system may create opportunities for the misappropriation of well-known trademarks. Their findings emphasize that the principle must be subject to substantive limitations, particularly the prohibition against bad-faith registration and the registration of marks that are substantially similar to existing trademarks.[5] These studies provide an

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[3] Imayani Imayani et al., "Legal Protection for Registered Trademark Holders Against Trademark Infringement," *International Journal of Research and Innovation in Social Science* 8, no. I (2024): 638–50, https://doi.org/10.47772/IJRISS.2024.801049.

[4] Welly Sandri Anis and Fokky Fuad, "Kepastian Hukum Dalam Penerapan Prinsip First To File: Studi Perbandingan Kasus Merek Elang Dua, Ikea Dan Piti Di Indonesia," *Riwayat: Educational Journal of History and Humanities* 8, no. 4 (2025): 8395–410, https://doi.org/10.24815/jr.v8i4.51136.

[5] Tursino Nino et al., "Penerapan Asas Kepastian Hukum Atas Sengketa Kepemilikan Merek Terdaftar Akibat Adanya Itikad Tidak Baik," *Jurnal Hukum Bisnis* 13, no. 02 (2024): 1–13, https://doi.org/10.47709/jhb.v13i02.3709.

important foundation for understanding the tension between administrative certainty and substantive protection in trademark law.

Furthermore, Faadhilah and Santoso examined the element of bad faith in Decision No. 62/Pdt.Sus-Merek/2019/PN Niaga Jkt.Pst. Their findings indicate that the defendant's series of registration-related actions and legal maneuvers may constitute evidence of bad faith.[6] Similarly, Marina, in examining the dispute over the Keen trademark in Decision No. 167 PK/Pdt.Sus-HKI/2018, criticized the failure to examine the element of bad faith because the lawsuit was dismissed on statute-of-limitations grounds.[7] Both studies demonstrate how procedural obstacles may prevent courts from conducting a substantive examination of the good faith underlying a trademark registration.

Wijaya highlights the importance of examining dominant elements through visual, phonetic, and conceptual assessments to determine the degree of similarity between competing trademarks.[8] Research by Rizki and Kaharuddin on the Hugo Boss dispute further demonstrates that divergent interpretations between the Commercial Court and the Supreme Court may generate legal uncertainty, particularly when the use of dominant elements involves the unauthorized exploitation (free-riding) of another party's established reputation.[9] Meanwhile, Arnold et al. propose more objective evidentiary criteria for assessing trademark disputes, incorporating the examination of dominant elements, commercial impression, likelihood of consumer confusion, chronology of trademark use, and evidence of intent in the registration process.[10]

More recent research by Suriana et al. on the PITI trademark dispute demonstrates that bad faith operates as a substantive limitation on the first-to-file principle, particularly when a trademark application concerns an identity or reputation previously established and used by another party.[11] Cintya et al. further emphasize the importance of both repressive protection, through trademark cancellation proceedings, and

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6 Shafina Isma Faadhilah and Budi Santoso, "Tinjauan Penolakan Pendaftaran Merek Atas Itikad Tidak Baik Dalam Putusan No. 62/Pdt.Sus-Merek/2019/PN.Niaga.Jkt.Pst.," *Notarius* 17, no. 1 (2024): 495–514, https://doi.org/10.14710/nts.v17i1.48179.

7 Liza Marina, "Tinjauan Yuridis Itikad Tidak Baik Dalam Pembatalan Merek Terkenal: Studi Kasus Putusan Nomor 167 Pk/Pdt.Sus-Hki/2018," *Supremasi: Jurnal Hukum* 4, no. 2 (2022): 159–73, https://doi.org/10.36441/supremasi.v4i2.699.

8 Andrew Wijaya, "Analisis Yuridis Terhadap Persamaan Pada Pokoknya Dalam Sengketa Merek Berdasarkan Undang-Undang Nomor 20 Tahun 2016 Tentang Merek Dan Indikasi Geografis," *Jurnal Ilmu Hukum, Humaniora Dan Politik* 5, no. 6 (2025): 5081–94, https://doi.org/10.38035/jihhp.v5i6.5213.

9 Muhammad Rizki and Kaharuddin, "Penerapan Kriteria Persamaan Pada Pokoknya Dan Itikad Tidak Baik Dalam Sengketa Merek: Studi Putusan Hugo Boss vs. Anthony Tan," *Seikat: Jurnal Ilmu Sosial, Politik Dan Hukum* 5, no. 3 (2026): 1224–34, https://doi.org/10.55681/seikat.v5i3.2779.

10 Arnold Arnold et al., "Pembuktian Unsur Persamaan Pada Pokoknya Dan Itikad Tidak Baik Dalam Upaya Pembatalan Merek Terdaftar," *Sinergi: Jurnal Riset Ilmiah* 3, no. 2 (2026): 820–32, https://doi.org/10.62335/sinergi.v3i2.2405.

11 Ricky Kurniawan Suriana et al., "Analisis Yuridik Penerapan Itikad Tidak Baik Dalam Pembatalan Merek Organisasi Sosial : Studi Kasus Putusan Mahkamah Agung Nomor 687 K/Pdt.Sus-HKI/2025 Tentang Sengketa PITI Persatuan vs PITI Persaudaraan," *Akademik: Jurnal Mahasiswa Humanis* 6, no. 3 (2026): 1526–39, https://doi.org/10.37481/jmh.v6i3.2261.

preventive protection, through trademark registration.[12] Although previous studies have made significant contributions to identifying the legal parameters of bad faith and substantial similarity, they have not adequately integrated the evidentiary challenges associated with these two substantive elements with questions concerning the legal standing of the parties and the legal consequences of trademark ownership transfers for the adjudication of cancellation claims. This gap is particularly evident in the Denza dispute, which raises questions about the relationship between procedural legitimacy and substantive trademark protection.

This study pursues two primary objectives. First, it examines the judicial reasoning underlying the formulation of legal parameters for establishing bad faith as a ground for trademark cancellation, particularly with respect to the applicant's prior knowledge, the chronology of trademark use and registration, the relationship between the parties, and indications of imitation or the exploitation of another party's established reputation. Second, it analyzes the criteria for determining substantial similarity through visual, phonetic, and conceptual assessments, with particular attention to dominant elements and the likelihood of consumer confusion. Both objectives are examined in light of the interaction between the legal standing of the parties, the transfer of trademark ownership, and the substantive judicial assessment of cancellation claims, with particular reference to the Denza decision.

2. RESEARCH METHODOLOGY

This study employs a normative legal research methodology that focuses on examining legal norms, principles, doctrines, and judicial decisions concerning trademark protection under Law No. 20 of 2016 on Trademarks and Geographical Indications (hereinafter referred to as the Trademark Law). The research adopts three complementary approaches: the statutory, case law, and conceptual approaches. The statutory approach examines the legal provisions governing the first-to-file principle, bad faith, and substantial similarity, particularly those set forth in Articles 3, 21, and 76 of the Trademark Law. The case law approach analyzes Commercial Court Decision No. 1/Pdt.Sus-HKI/Merek/2025/PN Niaga Jkt.Pst and Supreme Court Decision No. 1338 K/Pdt.Sus-HKI/2025, with particular emphasis on the courts' legal reasoning, the legal standing and legitimacy of the parties, and the implications of trademark ownership transfers for the adjudication of cancellation proceedings. Meanwhile, the conceptual approach is employed to develop analytical parameters for determining bad faith and substantial similarity by examining the visual, phonetic, and conceptual characteristics of competing trademarks.

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[12] Luh Made Nirmala Cintya et al., "Perlindungan Hukum Pemilik Merek Asli Atas Pendaftaran Merek Pihak Lain Dengan Iktikad Tidak Baik (Bad Faith)," *Jurnal Media Akademik* 4, no. 6 (2026): 1–18, https://doi.org/10.62281/rah7sy72.

The legal materials used in this study comprise primary, secondary, and tertiary legal sources, collected through library-based research. Primary legal materials include relevant statutory provisions and judicial decisions, while secondary and tertiary materials consist of scholarly publications, legal commentaries, and other relevant reference sources. All legal materials are analyzed qualitatively through systematic legal interpretation and prescriptive legal analysis to formulate coherent legal arguments and derive conclusions regarding the applicable legal standards and their implications for trademark cancellation disputes.

3. RESEARCH RESULT AND DISCUSSION

3.1. Judicial Considerations in Establishing Bad Faith as a Ground for Trademark Cancellation

Establishing bad faith cannot rest solely on the existence of similarity between two trademarks. Rather, it requires a combination of factual circumstances demonstrating the applicant's knowledge, intent, and registration conduct inconsistent with the principles of fair competition. Article 21(3) of Law No. 20 of 2016 on Trademarks and Geographical Indications (hereinafter referred to as the Trademark Law) recognizes bad faith as a ground for refusing a trademark application. The Elucidation of this provision associates bad faith with circumstances in which an applicant is reasonably suspected of intending to imitate, reproduce, or emulate another party's trademark for commercial gain, thereby engaging in unfair competition or misleading consumers.

This provision demonstrates that bad faith encompasses both subjective and objective dimensions. The subjective dimension concerns the applicant's intention or purpose, whereas the objective dimension relates to the registration conduct and its potential legal and commercial consequences. Accordingly, judges must establish a connection between the applicant's state of mind and objectively verifiable circumstances rather than infer dishonest intent solely from similarities between competing trademarks. Bad faith therefore functions as a substantive limitation on the first-to-file principle, ensuring that trademark rights acquired through registration cannot be invoked to legitimize the unauthorized exploitation of another party's established reputation.

The first parameter concerns the applicant's prior knowledge of the existing trademark. This factor constitutes an important indicator in assessing whether the disputed registration was made intentionally. Such knowledge may be evaluated by examining the degree of recognition enjoyed by the prior trademark, its marketing reach, the market presence of its products, relevant commercial publications, its use in international trade, and any existing business relationships or communications between

the applicant and the owner of the prior trademark.[13] Where a trademark has achieved widespread recognition before the disputed application is filed, and the applicant had reasonable opportunities to become aware of its existence, the similarity between the marks may be less likely to constitute mere coincidence. Awareness of another party's trademark does not automatically establish bad faith. The court must further determine whether the applicant's knowledge was connected to a deliberate decision to register an identical or substantially similar mark for the purpose of obtaining an unfair commercial advantage. Accordingly, prior knowledge should be treated as circumstantial evidence that must be corroborated by other relevant indicators.

The second parameter concerns the chronology of trademark use and registration. The temporal sequence of relevant events provides an important basis for identifying potential imitation or free-riding on another party's established reputation. In this regard, judges should examine when the prior trademark was first used, when it acquired market recognition, when the relevant products or services entered the market, and when the application for the disputed trademark was filed. A trademark application submitted after another party's mark has achieved substantial market recognition may strengthen an inference of bad faith, particularly when the competing marks share dominant elements and the applicant cannot demonstrate a legitimate commercial rationale for selecting the disputed mark. Chronological priority alone cannot constitute conclusive evidence of bad faith. It must be assessed in conjunction with the applicant's knowledge, the characteristics of the competing trademarks, and the intended commercial use of the disputed mark. This temporal analysis enables judges to distinguish between independently developed trademarks and registrations deliberately intended to derive commercial benefits from another party's established reputation.[14]

The third parameter involves the legal or factual relationship between the trademark applicant and the owner of the prior trademark. Such relationships may arise from partnerships, distribution agreements, agency arrangements, licensing agreements, business affiliations, commercial communications, or other forms of interaction that could have provided the applicant with access to information concerning the existence and reputation of the trademark. The relationship between the parties is evidentially significant because it may establish how the applicant became aware of the prior trademark and the extent of that knowledge. Where an applicant previously maintained a commercial relationship with a trademark owner and subsequently registered a substantially similar mark without the owner's authorization, such circumstances may strengthen the inference of a breach of trust or an attempt to exploit the owner's established reputation. The mere existence of a relationship between the parties does

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[13] Nabila Shofi Aini and Iva Fikrani Deslia, "Marketing Public Relations Strategy of PT. Janik Lampung in Building Brand Image," *Perspektif Komunikasi: Jurnal Ilmu Komunikasi Politik Dan Komunikasi Bisnis* 9, no. 1 (2025): 1–28, https://doi.org/10.24853/pk.9.1.1-28.

[14] Aini and Deslia, "Marketing Public Relations Strategy of PT. Janik Lampung in Building Brand Image."

not automatically establish bad faith. Judges must assess the nature and scope of the relationship, the information available to the applicant, the chronology of the parties' interactions, and the applicant's conduct following the termination of that relationship. Thus, the relationship between the parties should be regarded as an evidentiary context for evaluating the possible intent underlying the disputed trademark registration.

The fourth parameter concerns evidence of imitation or free-riding on another party's established trademark reputation. Such evidence may be identified through the adoption of similar dominant elements, the use of distinctive visual identities, the selection of phonetically similar names, or the adoption of shared conceptual features that may create an association with an earlier, established trademark. The court must also consider whether the applicant's choice of trademark was based on independent commercial considerations or was intended to capitalize on the consumer recognition and goodwill associated with another party's mark. Free-riding cannot be established solely on the basis of visual similarity; rather, it must be assessed through the combined consideration of similarities between the marks, the applicant's prior knowledge, and the commercial objectives underlying the registration. This interpretation suggests that establishing bad faith requires a cumulative assessment of multiple evidentiary indicators, thereby preventing the burden of proof from being reduced to the examination of a single element of resemblance.

The application of these four parameters is particularly relevant to the Denza trademark dispute between the plaintiff, BYD Company Limited, and the defendant, PT Worcas Nusantara Abadi. In this case, the plaintiff asserted that Denza was its well-known trademark and that the defendant had registered an identical mark in bad faith. The plaintiff based its arguments on Article 21(1)(b) and (c) of the Trademark Law, together with the provisions governing trademark cancellation. From a substantive perspective, the dispute raises several important questions: whether the defendant knew of the existence and established reputation of BYD's Denza trademark before filing its registration application, the chronology of the trademark's use and registration, and whether the circumstances indicate that the registration was intended to exploit the reputation previously established by BYD. The need to examine these circumstances does not, in itself, establish that all the legal elements of bad faith have been satisfied.

The panel of judges did not proceed to a substantive examination of whether the elements of bad faith had been established. Instead, the lawsuit was dismissed because the DENZA trademark had been transferred to PT Raden Reza Adi before the cancellation action was filed. Consequently, PT Worcas Nusantara Abadi was no longer the registered owner of the disputed trademark when the lawsuit commenced. The dispute subsequently proceeded to the cassation stage, culminating in Supreme Court Decision No. 1338 K/Pdt.Sus-HKI/2025. The Supreme Court rejected the plaintiff's cassation appeal and granted the defendant's appeal, resulting in the lawsuit being

declared inadmissible because the plaintiff had incorrectly identified the proper defendant (error in persona). The proper identification of the parties to a dispute constitutes a fundamental procedural prerequisite for a court to proceed with an examination of the substantive merits of a trademark cancellation claim.

The assessment of bad faith cannot be separated from the question of the parties' legal standing and their relationship to the subject matter of the dispute. Even when allegations of imitation of a well-known trademark are raised, the court must first establish whether the named defendant is the appropriate legal subject against whom the cancellation claim should be directed. A transfer of trademark ownership before the filing of a lawsuit makes the identification of the party legally responsible for the disputed registration status a procedurally significant issue. The Denza decision should not be interpreted as confirming that the defendant's trademark registration was conducted in good faith or as rejecting the allegations of imitation. Rather, these substantive issues remain unresolved because the judicial proceedings concluded at the procedural stage without an examination of the underlying merits of the cancellation claim.

These findings are consistent with previous scholarship. Nino et al. (2024) demonstrate that the first-to-file principle may create opportunities for free-riding on well-known trademarks when its application is not constrained by the requirement of good faith. Faadhilah and Santoso further emphasize the importance of examining the sequence of an applicant's actions to identify potential dishonest intent in the trademark registration process.[15] Similarly, Arnold et al. identify dominant elements, overall commercial impression, the chronology of trademark use, and evidence of intentional conduct as relevant parameters for assessing bad faith.[16] The present study extends these perspectives by demonstrating that the application of substantive evidentiary parameters must be preceded by an examination of whether the correct defendant has been identified. Thus, the study not only reinforces the importance of establishing bad faith through a comprehensive assessment of relevant evidence but also highlights the procedural limitations that may prevent substantive judicial review when trademark ownership has been transferred before a cancellation action is filed.

Establishing bad faith as a ground for trademark cancellation requires a cumulative assessment of the applicant's prior knowledge, the chronology of trademark use and registration, the relationship between the parties, and any indications of imitation or the exploitation of another party's established reputation. These four parameters must be substantiated by relevant evidence and assessed proportionately to distinguish mere trademark similarity from genuinely dishonest registration practices. The Denza dispute

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[15] Faadhilah and Santoso, "Tinjauan Penolakan Pendaftaran Merek Atas Itikad Tidak Baik Dalam Putusan No. 62/Pdt.Sus-Merek/2019/PN.Niaga.Jkt.Pst."

[16] Arnold et al., "Pembuktian Unsur Persamaan Pada Pokoknya Dan Itikad Tidak Baik Dalam Upaya Pembatalan Merek Terdaftar."

further demonstrates that a substantive examination of these elements can only proceed when the cancellation action is brought against the proper defendant. Effective trademark protection therefore requires a balance between procedural certainty, integrity in the registration process, and the protection of trademark owners' established reputations. Although the first-to-file principle remains the fundamental basis for determining trademark ownership, it must not be invoked to legitimize the exploitation of another party's reputation or undermine the principles of fair business competition.

3.2. Establishing the Parameters of Substantial Similarity through Visual, Phonetic, and Conceptual Assessment

Determining whether two trademarks are substantially similar requires more than an isolated comparison of their names or visual representations. Rather, the assessment must consider the overall impression created by the competing marks from the perspective of relevant consumers. Such an examination must also be preceded by verification that the cancellation action has been brought against the proper legal entity. Article 21(1) of Law No. 20 of 2016 on Trademarks and Geographical Indications (hereinafter referred to as the Trademark Law) establishes substantial similarity as a ground for refusing trademark registration. This provision provides protection for registered trademarks and well-known marks against the registration of other trademarks that are substantially similar or identical.

Such protection may also extend to goods and/or services that are dissimilar, subject to the fulfillment of the applicable statutory requirements. This demonstrates that substantial similarity concerns not merely the formal identity of competing trademarks but also their potential to create confusion or an erroneous association regarding the commercial origin of goods or services. The criteria for determining substantial similarity must be developed within the broader framework of protecting the distinctive function of trademarks, safeguarding the reputation of trademark owners, and protecting consumer interests.

The visual assessment involves comparing graphic elements, letter arrangements, word compositions, logo designs, color schemes, where relevant, and other dominant features that establish a trademark's distinctive identity. For alphanumeric marks, the particular arrangement of letters and numbers is especially significant because it may create a strong and lasting visual impression in consumers' minds. Similarities in trademark names, particularly when they constitute the dominant elements, do not necessarily lose their legal significance merely because one of the competing marks incorporates a business entity's name or corporate identifier. Such additional elements must be evaluated according to their capacity to distinguish the commercial impression of the mark. Where the core elements recognized by consumers remain substantially identical, the addition of a corporate identifier may be insufficient to eliminate the

likelihood of substantial similarity. Visual resemblance alone does not automatically establish trademark infringement or justify cancellation without considering the overall characteristics of the competing marks and the commercial context in which they are used.

The phonetic assessment concerns similarities in the sound and pronunciation of competing trademarks. This study identifies phonetic similarity as a significant consideration because consumers do not always recognize or recall trademarks through their written representations. Brand names are frequently communicated orally through interactions between sellers and consumers, word-of-mouth recommendations, and promotional activities. Consequently, trademarks with different written forms may nevertheless produce similar phonetic impressions when pronounced. A phonetic assessment should therefore consider syllabic structure, pronunciation, stress patterns, the number of syllables, and the overall characteristics of articulation.[17] Phonetic similarity should not constitute the sole basis for trademark cancellation. Instead, judges must determine whether the degree of phonetic resemblance is sufficiently significant to create a likelihood of confusion or an erroneous association concerning the commercial origin of the relevant goods or services among consumers.

The conceptual assessment, in turn, concerns similarities in meaning, ideas, and associations that arise when consumers encounter competing trademarks. Two marks that are not visually or phonetically identical may nevertheless exhibit conceptual similarity when they evoke comparable perceptions, meanings, or commercial identities. This consideration becomes particularly relevant when a trademark incorporates words, symbols, or combinations of elements that convey specific meanings already associated with an earlier trademark owner's commercial identity. Conceptual similarity must be assessed contextually by considering the characteristics of the relevant goods or services, consumer knowledge and perceptions, and the relationship between the constituent elements of the mark and the commercial identity they are intended to represent. Conceptual analysis complements visual and phonetic assessments by ensuring that the determination of substantial similarity extends beyond superficial resemblances in appearance or pronunciation.

These three parameters are closely related to the identification of dominant elements and the assessment of the likelihood of consumer confusion. A dominant element is the most prominent component of a trademark and has a substantial influence on its distinctive identity and commercial impression. Consumers tend to remember a trademark's core elements more readily than its peripheral features.[18] Accordingly, judicial assessment should not be based merely on counting identical or

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[17] Kim, Jong-mi, "Phonology of Brand Naming," *Studies in Phonetics, Phonology, and Morphology* 23, no. 1 (2017): 3–26, https://doi.org/10.17959/SPPM.2017.23.1.3.

[18] Menguyao Yu et al., "Effects of Brand Visual Identity on Consumer Attitude: A Systematic Literature Review," preprint, Arts and Humanities, May 16, 2024, https://doi.org/10.20944/preprints202405.1109.v1.

different elements. Instead, it should determine whether the similar elements constitute the defining features of the trademark's identity. The likelihood of consumer confusion is then assessed to establish the potential consequences of those similarities, including whether consumers might mistakenly believe that the goods originate from the same company, that the parties have a commercial relationship, or that the goods are authorized or endorsed by the owner of an earlier, established trademark. Determining substantial similarity is a legal assessment of the overall commercial impression created by competing marks, rather than a purely mathematical comparison of their individual elements.

The application of these parameters is particularly relevant to the Denza trademark dispute between BYD Company Limited and PT Worcas Nusantara Abadi, which involved four key stages. First, PT Worcas Nusantara Abadi registered the Denza trademark, while BYD claimed that Denza was its well-known trademark. Second, ownership of the registered trademark was transferred to PT Raden Reza Adi before the lawsuit was filed. Third, BYD initiated a trademark cancellation action against PT Worcas Nusantara Abadi. Fourth, the Commercial Court and the Supreme Court declared the lawsuit inadmissible because the plaintiff had failed to identify the proper defendant (error in persona). This chronology is legally significant because a subsequent transfer of ownership does not extinguish the historical facts surrounding the original registration or the plaintiff's allegations of similarity. The transfer may affect the identification of the proper party against whom a cancellation action should be brought.

The courts did not proceed to examine whether the competing Denza marks were substantially similar once it was established that PT Worcas Nusantara Abadi was no longer the registered owner of the trademark when the lawsuit was filed. The courts did not conclude that BYD's Denza trademark and the mark registered by the defendant lacked visual, phonetic, or conceptual similarities. Rather, no assessment of these three dimensions was undertaken because the failure to identify the proper defendant constituted a procedural obstacle to substantive judicial review. At the Supreme Court level, Decision No. 1338 K/Pdt.Sus-HKI/2025 upheld this procedural outcome by declaring the lawsuit inadmissible. Consequently, neither decision can be treated as a substantive judicial precedent establishing that BYD's Denza trademark and the defendant's mark were not substantially similar.

Visual, phonetic, and conceptual assessments provide the analytical framework for determining whether the legal threshold of substantial similarity has been met. By contrast, verifying the proper parties establishes whether the court can proceed with a substantive examination involving the legally relevant entities. A transfer of trademark ownership before the filing of a lawsuit must therefore be treated as a relevant legal fact, rather than as evidence that any similarity between the competing marks has ceased to exist. Moreover, a trademark transfer does not automatically establish bad faith.

Courts must consider the timing of the transfer, the registered ownership status at the relevant time, the plaintiff's knowledge of the transfer, and the legal standing of the defendant. If the plaintiff intends to initiate a subsequent action, the identification of the proper parties and the legal grounds for the claim must be aligned with the legal circumstances prevailing when the new action is filed.

These findings are consistent with Wijaya, who emphasizes the importance of visual, phonetic, and conceptual assessments in determining substantial similarity, particularly the role of dominant elements in shaping a trademark's commercial impression.[19] Similarly, Nino et al. demonstrate that the protection of well-known trademarks is closely connected to the application of Article 21 of the Trademark Law, which provides safeguards against the unauthorized exploitation of an established trademark's reputation.[20] The present study extends this body of scholarship by integrating the analysis of trademark similarity with the procedural issue of legal standing, particularly where ownership has been transferred before the filing of a cancellation action. This broader perspective demonstrates that legal uncertainty arises not only from divergent judicial interpretations of the degree of similarity between competing marks but also from procedural obstacles that prevent courts from reaching the substantive merits of a dispute.

The determination of substantial similarity requires a comprehensive assessment of the visual, phonetic, and conceptual characteristics of competing trademarks, taking into account their dominant elements and the likelihood of consumer confusion. No single factor should, in isolation, constitute an automatic basis for finding substantial similarity. Rather, all three dimensions must be evaluated proportionately in light of the distinctive characteristics of the marks, the relevant commercial context, and the perceptions of the relevant consumers. The Denza dispute demonstrates that even when a claim of substantial similarity is raised, a court may be unable to undertake a substantive examination if the action is brought against a party that no longer has the requisite legal standing in relation to the disputed trademark. Effective protection of well-known trademarks therefore requires a balance between rigorous substantive examination, procedural certainty, and the protection of consumer interests. This balance is essential to ensure that the application of Article 21 of the Trademark and Geographical Indications Law neither results in arbitrary trademark cancellations nor undermines the rights of trademark owners who have suffered genuine harm.

4. CONCLUSION

[19] Wijaya, "Analisis Yuridis Terhadap Persamaan Pada Pokoknya Dalam Sengketa Merek Berdasarkan Undang-Undang Nomor 20 Tahun 2016 Tentang Merek Dan Indikasi Geografis."

[20] Nino et al., "Penerapan Asas Kepastian Hukum Atas Sengketa Kepemilikan Merek Terdaftar Akibat Adanya Itikad Tidak Baik."

This study examines the parameters for establishing bad faith as a ground for trademark cancellation and the criteria for determining substantial similarity based on visual, phonetic, and conceptual assessments. The findings demonstrate that bad faith must be assessed comprehensively by considering the applicant's prior knowledge of an existing trademark, the chronology of trademark use and registration, the relationship between the parties, and evidence of imitation or the exploitation of another party's reputation for commercial gain. Meanwhile, substantial similarity cannot be established solely on the basis of resemblance between individual trademark elements. Rather, the assessment must consider dominant elements, the commercial impression, and the likelihood of consumer confusion. This study argues that the first-to-file principle does not confer absolute protection and must be applied consistently with the principles of good faith and legal certainty. In the Denza dispute, procedural issues concerning the proper parties and the prior transfer of trademark ownership prevented the courts from examining the substantive allegations of infringement. Accordingly, the decisions should not be interpreted as substantive findings on the existence or absence of trademark similarity or bad faith.

This study offers an analytical framework that may assist judges and trademark examiners in evaluating bad faith and substantial similarity in trademark disputes. Its findings are subject to limitations arising from its reliance on normative legal research and the specific judicial decisions examined. Further efforts are therefore needed to strengthen trademark examination guidelines and promote more consistent judicial approaches. Future research should incorporate comparative analyses of judicial decisions and empirical investigations of trademark examination practices to develop parameters that are more consistent, measurable, and responsive to evolving commercial realities.

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