

PRESTONE PRODUCTS CORPORATION

39 Old Ridgebury Road
Danbury, Connecticut 06810
(203) 830-7880

February 11, 2008

Jennifer Choe Groves
Director for Intellectual Property and Innovation and
Chair of the Special 301 Committee
Office of the United States Trade representative
1724 F Street, N.W.
Washington, DC 20508
FR0606@ustr.eop.gov

RE: United States Trade Representative's Special 301 Request for Public Comment Submission by Prestone Products Corporation - Indonesia

Dear Ms. Groves,

Prestone Products Corporation, a wholly owned subsidiary of Honeywell International Inc, hereby submits their comments on Indonesia's protection of intellectual property rights.

In summary, due to Prestone's current experience in a pending litigation in Indonesia, Prestone is concerned about the ability of the Indonesian Courts to give effect to Indonesia's obligations under TRIPS in the enforcement of registered trademark rights.

1. BACKGROUND

1.1 Prestone Products Corporation

Prestone Products Corporation ("Prestone") is a unit of Honeywell Consumer Products Group, which manufactures and markets Prestone® Antifreeze/Coolant and Car Care products. In addition to "Prestone", Honeywell Consumer Products manufactures and markets a host of leading consumer automotive brands including FRAM® oil, air and fuel filters; Autolite® spark plugs; and Holts® vehicle care products with a broad range in the area of repair, care and value conservation.

Honeywell Consumer Products is a division of **Honeywell International Inc**, which is a \$34 billion diversified technology and manufacturing leader with over 120,000 employees worldwide. Based in Morris Township, N.J., Honeywell's shares are traded on the New York, London and Chicago Stock Exchanges. It is one of the 30 stocks that make up the Dow Jones Industrial Average and is also a component of the Standard & Poor's 500 Index.

For 80 years, the PRESTONE brand has provided customers the highest quality products, including the leading brand of antifreeze/coolant. PRETSONE antifreeze has protected cooling systems through seven decades of evolving engine operations and cooling system demands.

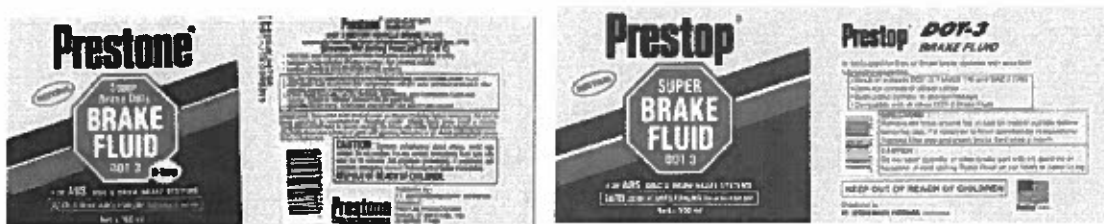
In 1924, the PRESTONE trademark was first registered in United States and to date has been registered in over 100 countries.

In Indonesia, in 1987, PRESTONE was registered as a trademark and has been used on brake fluids in Indonesia since 1986 through its distributor, PT Autochem Indonesia.

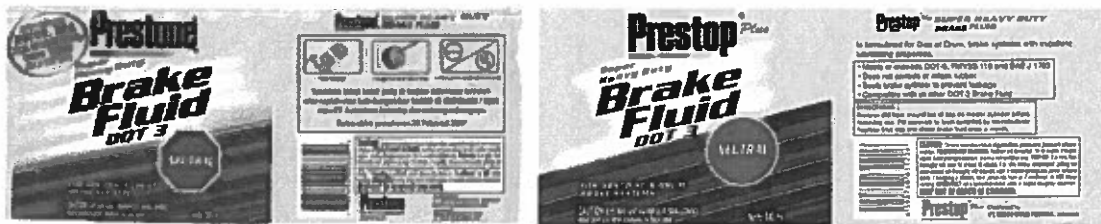
1.2 PRESTONE vs PRESTOP infringement

In early 2005, Prestone became aware of the use of a similar mark PRESTOP on brake fluids manufactured by an individual Drs. Nengrat Kwandou ("NK") and distributed via his company, PT Teguh Mulia Perdana ("TMP").

Comparing the PRESTONE vs PRESTOP labels used in Indonesia, it is clear that the PRESTOP label is intended to confuse and mislead consumers into thinking that PRESTOP originates from the US (see the U.S. flag) and is related to PRESTONE, when no such connection exists. There were complaints from consumers who thought that PRESTOP was a lower brand offered by Prestone which they complained was not as effective which explains the lower price.



To counter the infringement, Prestone then changed its labels and the infringer blatantly copied the new label as follows:-



NK also filed an application no. D00200507254.07315 on 14 March 2005 at the Trademarks Office in class 4 as follows:-



Prestone filed an opposition against NK's application on 18 October 2006 on the basis of similarity to well known mark, prior registration, company name and bad faith. The opposition is currently pending.

In 2006, Prestone sent a cease and desist letter to TMP and NK with a hope for an amicable resolution to this dispute. However, NK refused to meet with our local distributors or local counsel handling the matter at that time to negotiate any possible settlement.

Prestone had therefore no choice but to file an action for trademark infringement were commenced.

1.3 Infringement action in the Commercial Court

On 7 October 2006, Prestone filed an infringement action and sought an injunction against NK and TMP on the ground that the use of PRESTOP on brake fluids was similar to Prestone's prior registration for PRESTONE for similar goods. Prestone also claimed damages in the form of

- (i) the Defendants' actual profits since April 2005 to November 2006 (IDR 6.08 billion);
- (ii) promotional cost associated with PRESTONE since 2002 (IDR 10.9 billion); and
- (iii) immaterial losses in the form of loss of goodwill and the defamation of reputation and trust of the public and its business partners (IDR 5 billion).

Prestone's claim relied on article 76 of the Law No. 15 of 2001 on Trademarks as follows:

(1) The owner of a registered Mark may file a lawsuit against any other party that unlawfully uses his Mark for Goods and services which has similarity in its essential part or in its entirety with his mark, in the form of:

- a. a claim for compensation; and/or*
- b. the termination of all acts that are related to the use of the relevant mark.*

(2) The lawsuit referred to in paragraph (1) shall be filed at the Commercial Court.

The Defendants argued that because the Trademarks Office had substantively examined NK's application and published the PRESTOP application, the marks were not similar and Prestone's claim was premature.

On 7 February 2007, the Commercial Court issued its decision and Prestone lost. The Commercial Court considered that because the trademark certificate for PRESTOP had not been issued, therefore the Panel of judges did not have sufficient evidence to assess whether or not the disputing marks were similar. Prestone's claim was therefore premature and could not be accepted.

Prestone was obviously very disappointed with the Commercial Court's decision especially since it seemed to be a straightforward infringement action and the reasoning behind the Commercial Court's abdication of its responsibility to decide on the case on the basis that the judges had to wait for the certificate of registration to be issued for PRESTOP was simply baffling.

This is clearly wrong as a trademark holder should be able to rely on its registration to enforce against unauthorized use of a similar mark for similar goods.

1.4 Supreme Court Appeal

In 26 February 2007, Prestone filed an appeal to Supreme Court and argued that the Commercial Court judges had incorrectly applied Law No. 15 of 2001 on Trademarks. Prestone argued that the fact that the Defendant had a pending application at the Trademarks Office for PRESTOP (which Prestone had opposed) was irrelevant to the Court's authority to decide if there was infringing use of a registered mark in an infringement action.

The International Trademark Association (INTA), a non-profit organization dedicated to the support and advancement of trademark law and related IP concepts, with over 5000

members in over 190 countries, submitted an amicus brief to Indonesia Supreme Court in support of Prestone's position.

INTA stated that the international principles and yardsticks governing the rights of the owner of a registered trademark to take action for the unauthorized use of the same or of a similar trademark for the same goods/services or similar goods/services are well settled and unanimous. As a member of the Paris Convention for the Protection of Industrial Property and a signatory to the World Trade Organization's TRIPS Agreement, Indonesia has an international obligation to rationally apply and give effect to these principles.

Article 16 of the TRIPS Agreement provides as follows:

"1. The owner of a registered trademark shall have the exclusive right to prevent all third parties not having the owner's consent from using in the course of trade identical or similar signs for goods or services which are identical in a likelihood of confusion. In case of the use of an identical sign for identical goods or services, a likelihood of confusion shall be presumed. The rights described above shall not prejudice any existing prior rights, nor shall they affect the possibility of Members making rights available on the basis of use".

Part 3 of the TRIPS agreement provides for jurisdictions, damages and other remedies for infringement. Article 41 of the TRIPS Agreement provides that member countries must ensure that their trademark enforcement procedures ensure effective action against infringement, including expeditious remedies. Article 41 reads:

"1. Members shall ensure that enforcement procedures as specified in this Part are available under their law so as to permit effective action against any act of infringement of intellectual property rights covered by this Agreement, including expeditious remedies to prevent infringements and remedies which constitute a deterrent to further infringements. ..."

The Supreme Court granted Prestone's appeal and held that

- (i) the marks were similar;
- (ii) that PRESTOP was to Prestone's company name;
- (iii) that PRESTONE is a well-known mark; and
- (iv) that the Defendants have conducted a trademark infringement and therefore ordered the Defendants to terminate production/distribution and/or marketing and to withdraw from market brake fluids bearing the trademark PRESTOP.

However, Prestone's claims for damages were rejected as the Court required actual proof of loss.

The Supreme Court's decision was encouraging as it indicated that a more senior panel of judges clearly understood the basic principles of the rights of a trademark holder to enforce its registration against unauthorized use and applied the local law correctly.

1.5 Supreme Court – Judicial review (Reconsideration action)

Despite the soundness of the Supreme Court's appeal decision, on 19 December 2007, the Defendants filed a judicial review (reconsideration action) on the basis that the Supreme Court judges in the earlier appeal had wrongfully applied the law and maintained its argument that since the application for PRESTOP had been substantively examined by the Trademarks Office, the Court had no jurisdiction to interfere and review similarity of the marks until the certificate of registration for PRESTOP was issued.

Prestone filed a reply on 6 February 2008 and maintained the position that

- (i) it is irrelevant in an infringement proceeding if an infringer has a pending application; and
- (ii) the Court has authority to decide in infringement actions by comparing the use of the Defendants' mark against the Plaintiff's registration.

2. Prestone's concerns

Prestone believes that based on the legal merits of the case, Prestone has a good chance of succeeding in the reconsideration action. However, Prestone is concerned if the reconsideration action will be decided fairly based on its merits. Prestone was advised by its previous local counsel's litigator that it is common to engage in private discussions with the judges about the merits of a pending case (in violation of Indonesia law), and the Defendants are likely to do so. Prestone is absolutely adverse to any suggestions of undue influence and for that reason will not engage in this type of improper activity.

We are advised by our present counsel that the reality of any litigation in Indonesia is that there is always a risk of undue influence by the other party. As this is the final stage for Prestone in the reconsideration action, Prestone would like the USTR's support to ensure that the reconsideration action is decided fairly based on local law and international obligations and practice.

While we understand in this case the Supreme Court did decide correctly, the fact that the Commercial Court could even agree to the Defendant's reasoning was astounding, and Prestone is concerned that such a mistake may be repeated at the final reconsideration stage, especially if there is any undue influence involved.

If the reconsideration action reverses the Supreme Court's ruling and uphold's the Commercial Court's decision, then this case will impact on other cases and set a negative precedent. Such a result would mean that any third party could apply to the Trademarks Office to register a mark that may be alleged to be similar to and/or infringing another mark already in use in Indonesia, and the pending application or subsequent opposition to such application would then prevent an infringement action from being filed in the Court against the blatant infringer. The effect of this approach is that legitimate trademark owners would be denied the enforcement required in Articles 16 and 41 of TRIPS and Article 76 of Law No. 15 of 2001.

This case is therefore important for Indonesia's valuation in its ability to protect and enforce intellectual property rights because the Commercial Court's decision and the Defendants' arguments in the reconsideration action departs from international norms and practices that:

- (a) valid registered trademarks are enforceable immediately and as of right;
- (b) the courts, being higher authority relative to a national Trademark Office, do not defer to a national Trademark Office on the question of similarity of trademarks when they themselves have the authority to decide such a question; and
- (c) a trademark application by another party is without prejudice to and does not prevent a proprietor from instituting infringement proceedings in a court and obtaining remedies for infringement while the other party's trademark application is being considered by the Trademark Office.

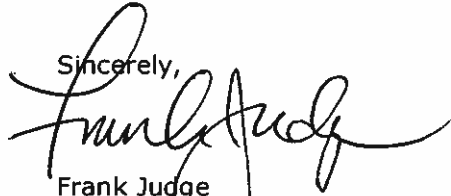
3. Prestone's Requests

While Prestone understands that Indonesia has made great efforts in IP law reforms in the past few years, especially in the area of copyright enforcement, Prestone would like the USTR to engage in a discussion with the relevant authorities to ensure that basic

trademark principles are adhered to and that the rights of trademark holders are protected. In particular, the Commercial Court and Supreme Court judges in IP cases need actively to enforce Indonesia's obligations under TRIPS. Transparency and faith in the judicial system is one factor of attracting foreign investment, and improvements in this area would only benefit Indonesia. We therefore humbly ask that the USTR raise as a condition for Indonesia to continue its status on the Watch List, that the relevant authorities monitor trademark cases heard before the Indonesian Courts to ensure that decisions are decided fairly based on the legal merits of each case.

We thank the office of the USTR for its attention and are open to any further suggestions that the USTR may have in this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Frank Judge". The signature is fluid and cursive, with a large initial "F" and "J".

Frank Judge
Vice President
And General Counsel