

E-Commerce Transformation in Indonesia: Intellectual Property Rights Protection in the Local Digital Market

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Abstract

The transformation of e-commerce in Indonesia has become a significant phenomenon in today's digital era. This article explores the impact of the transformation on the protection of Intellectual Property Rights (IPR) in the local digital market. Through an analysis of IPR-related policies and practices, this article attempts to understand how these efforts affect copyright, trademark, and patent protection amid the rapid development of e-commerce. In addition, this article also highlights the challenges and opportunities faced in harmonizing IPR principles with the dynamics of Indonesia's ever-evolving digital market. This article aims to provide a better understanding of how changes in the digital business environment are affecting protection efforts against copyrights, trademarks, and patents. The results of this article reveal shifting business patterns and new challenges in the protection of Intellectual Property Rights (IPR) in Indonesia's digital market, while also highlighting the importance of developing inclusive and balanced regulations to optimize IPR protection and support inclusive economic growth and promote social justice.

I. Introduction

Indonesia has huge potential in the creative industry, characterized by a large number of talented talents who continue to create new content every day. Various creative fields, ranging from fine arts, music, design, to technology, show significant growth. These abundant creative ideas are actually unlimited resources with high economic value, providing great opportunities for national economic growth. Therefore, the government through its various initiatives continues to invite the public, especially creative economy actors, to realize the importance of Intellectual Property Rights (IPR) in protecting their works (Ministry of Tourism and Creative Economy/Baparekraf, 2023). IPR is defined as the right to obtain legal protection of intellectual property in accordance with applicable laws and regulations. Forms of IPR include patents, trademarks, industrial designs, copyrights, geographical indications, trade secrets, and Integrated Circuit Layout Design (DTLST). This protection is very important to maintain the authenticity and originality of ideas, so that creative economy actors can continue to innovate without worrying that their work will be taken or claimed by other parties without permission (Directorate General of Intellectual Property, 2023).

Ari Juliano Gema, Expert Staff of the Minister for Bureaucratic Reform and Regulation of the Ministry of Tourism and Creative Economy/Baparekraf, explained that it is important for owners of ideas or ideas to immediately register their work with IPR. Some elements of IPR, such as brands, patents, and industrial designs, require official registration to obtain protection from the state. Without these protections, the works are susceptible to imitation and do not have the legal force to protect the rights of their creators. According to Gema, the existence of IPR not only provides legal security but can also be a source of increased income through royalties and licenses. In addition to protecting the ownership of ideas, IPR also plays an important role in facilitating access to global markets. Products or ideas that have been registered with IPR are easier to accept in the international market because they have clear legal protection, thus preventing potential infringement claims from other parties. In the increasingly developing digital era, IPR protection has become increasingly crucial, considering the ease of dissemination of information and the potential for theft of ideas through social media and other digital platforms (Kemenparekraf/Baparekraf, 2023).

The transformation of e-commerce in Indonesia has had a significant impact on the protection of IPR. With the increasing use of e-commerce platforms, such as Tokopedia, Bukalapak, and Shopee, new challenges in IPR protection have emerged. This platform is an arena for the sale of various creative products, but also opens a gap for the sale of counterfeit goods and copyright infringement. Therefore, IPR protection is becoming increasingly important in ensuring that original products can compete fairly in the digital market (Ministry of Tourism

and Creative Economy, 2023). In response to these challenges, e-commerce platforms in Indonesia have adopted various measures to improve IPR protection. Tokopedia, for example, has implemented an "Intellectual Property Rights (IPR) Protection" program that allows brand owners to report products that infringe on their copyrights. Bukalapak launched an anti-counterfeiting campaign and introduced a reporting feature for brand owners. Shopee also launched the "Brand Protection" initiative that involves brand owners in the process of monitoring and reporting products that infringe on copyright. To support awareness and understanding of the importance of IPR, the Ministry of Tourism and Creative Economy continues to conduct socialization and various creativity support programs, such as the Indonesia Creation Appreciation and Food Startup. These programs are designed to support creative economy actors in understanding and implementing IPR protection, so that they can maximize the economic potential of their creative ideas without infringing on the intellectual property rights of other parties (Kemenparekraf/Baparekraf, 2023). IPR also plays an important role in increasing the economic value of creative works. For example, when an idea has been registered and protected by IPR, the idea can generate income through a royalty mechanism if it is used by another party. In addition, the exclusive rights granted by IPR allow owners to control the use and distribution of their ideas, which in turn can increase the market value and competitiveness of the product or work. However, in the midst of rapid digitalization, the challenges in IPR protection are also increasingly complex. For example, piracy and illegal dissemination of works through digital platforms are a serious threat to creative economy actors. The massive use of social media also has the potential to accelerate the spread of creative ideas without permission, so the risk of idea theft is even greater. Therefore, in-depth understanding and proactive steps in registering works with IPR are becoming increasingly important.

As a concrete example, the Ministry of Tourism and Creative Economy has carried out various initiatives to suppress digital piracy cases. One of them is through collaboration with the Indonesia Publishers Association (IKAPI) to reduce digital book piracy. This step shows the government's commitment to protecting the intellectual property rights of creative economy actors and supporting the healthy and sustainable development of the creative industry (Ministry of Tourism and Creative Economy, 2023). Overall, effective IPR protection can ensure that creative ideas produced by the nation's children are not only protected but also able to compete on the global stage, providing great economic benefits for creators and for the national economy as a whole. Thus, awareness and understanding of the importance of IPR must continue to be increased among the community and creative economy actors to achieve optimal and sustainable development of the creative industry.

2. Research Method

This study uses a descriptive qualitative approach to gain a deep understanding of the impact of transformation e-commerce to the protection of Intellectual Property Rights (IPR) in Indonesia's digital market. A qualitative approach is used to explore a detailed understanding of market dynamics and business practices in the digital realm. Data will be collected through literature studies and policy analysis. Descriptive analysis will be used to outline the main findings of the data collected, providing a comprehensive picture of the IPR situation in Indonesia's digital market. This approach is expected to provide a deep understanding of the challenges and opportunities in optimizing IPR protection in the era of e-commerce.

3. Results and Discussion

The Impact of Digital Transformation on *E-Commerce* in Indonesia

The influence of digital transformation on *e-commerce* in Indonesia is an interesting phenomenon to discuss. Digital transformation includes fundamental changes in the way businesses operate and interact with consumers, which in turn affects the dynamics of the *e-commerce industry* in Indonesia. The technology has left its mark in the online realm through the accumulation of data obtained from consumer interactions with e-commerce platforms. Consumer preferences, ranging from color, type, location, size, to price and payment methods, are recorded and analyzed to manage product stock and validity, as well as improve the buying and selling process. The consumer experience is enhanced through a better understanding of the company's behavior. Data collection and analysis technology helps executives of e-commerce platform owners in decision-making with support from Business Intelligence and IT departments. Although the departments are different, there is synergy between them within any company. Removing barriers between departments and integrating activities to improve decision-making processes is one of the biggest challenges of the technological age. Internal and external applications are developed by IT technicians and engineers. The concept of business intelligence refers to the ability of a company to understand the direction of the company's development, both internally, financially, and in relation to society, as well as the actions that need to be taken to keep up with the company's evolution. The data is processed and stored in different multidimensional databases, which are then analyzed into business information. This information is represented in the form of diverse statistical data and graphs, presented in interactive dashboards. The dashboard provides an overview of the company's current situation and an estimate of where the company will move, depending on existing factors or the potential that may occur if the strategy is changed.

The rapid development of technology in any country has an impact on internet users from time to time. This also has an impact on *e-commerce* in Indonesia. According to Abdurrahman, Indonesia has the highest *e-commerce* growth in the world. In recent times, many leading companies and retailers have expanded their operations to online businesses. Therefore, the *e-commerce industry* continues to grow, supported by a number of surveys by local and international research institutions on information technology.

Setting up a business online expands market opportunities and makes it easier to market products and reach potential consumers. There are several factors that affect business growth, including increasing business complexity, global competition, information technology growth, time management, as well as social factors and IT capacity that are influenced by various things, such as information service capacity, interaction on computer networks, and data access speed. The role of information technology in the trade of products and services through e-commerce is especially useful in facilitating transactions on a routine, periodic, or incidental basis and providing information accurately and quickly. The influence and role of information technology on the growth of e-commerce can be described as follows:

1. Information technology facilitates the dissemination of information and expands the reach of *e-commerce* worldwide.
2. The availability of experts in the field of information technology supports the growth of *e-commerce*.
3. *E-commerce* is in demand because of its convenience and can be accessed anytime and anywhere.
4. Advances in information technology have made internet connections more accessible, thereby increasing prosperity in *the field of e-commerce*.

With the adoption of digital technology, *e-commerce platforms* have undergone significant changes in terms of business models, consumer experience, and operational efficiency. The use of technologies such as big data, artificial intelligence, and predictive analytics allows *e-commerce platforms* to better understand consumer preferences, provide more personalized recommendations, and optimize the buying and selling process. In addition, digital transformation has also enabled the development of better logistics infrastructure in Indonesia, enabling faster and more efficient delivery of goods across the country. This allows e-commerce businesses to reach customers in previously hard-to-access regions, increasing their market potential. However, while digital transformation brings many benefits to the e-commerce industry, there are also challenges that must be overcome. One of them is the readiness of digital infrastructure in Indonesia, including internet connectivity which is often slow in remote areas. In addition, personal data protection and online security are also important concerns in this digital era. In the face of digital transformation, it is important for e-commerce companies in Indonesia to continue to develop strategies and innovations that are relevant to changes in technology and consumer behavior. This involves investing in new technologies, developing a more intuitive and responsive platform, and focusing on data security and user privacy. Overall, the impact of digital transformation on e-commerce in Indonesia creates great opportunities for growth and innovation. However, challenges such as digital infrastructure and data security also need to be carefully addressed so that Indonesia's e-commerce potential can be fully utilized.

Challenges of Intellectual Property Rights (IPR) Protection in *E-Commerce*

The digital era has presented new challenges in the protection of Intellectual Property Rights (IPR), especially in the context of *e-commerce*. Along with the advancement of information technology and the internet, the 21st century has become a prominent digital era, fundamentally changing the way we live, work, and interact. In this era, IPR, which includes copyrights, patents, trademarks, industrial designs, and trade secrets, is also faced with complex new challenges. One of the main challenges is in copyright enforcement. The internet and digital technologies have enabled the widespread distribution of unauthorized content and content piracy. Creators and owners of intellectual property often face difficulties in protecting their works from these piracy practices. Not only is this financially detrimental to creators, but it can also hinder innovation and creativity in the long run. Trademark protection is also a serious problem in the digital era. Practices such as *cybersquatting*, where third parties register a trademarked domain name for commercial purposes or damage the brand's reputation, are becoming more and more common. The rise of social media and *e-commerce platforms* has also increased cases of product counterfeiting and the sale of counterfeit goods, which can harm both consumers and brand owners. However, in the midst of these challenges, the digital era also brings new opportunities for IP protection. The use of technologies such as blockchain, with its ability to strengthen intellectual property rights monitoring and tracking systems, can be an effective solution. Smart contracts run by blockchain can also facilitate automatic and fair payments for the use of creative works in the digital age.

The development of automated detection and monitoring tools also offers opportunities to identify copyright infringement more efficiently. Facial recognition and audio technology, for example, can be used to detect illegally uploaded content, making it easier for law enforcement to take action. In addition, international cooperation is becoming increasingly important in addressing IP protection challenges in the digital age, to establish effective international laws and implement best practices in safeguarding intellectual property rights. However, efforts to protect IPR in the digital era do not only involve institutions and the government. Awareness of the importance of IPR needs to be increased among consumers, producers, and owners of intellectual property itself. Education about intellectual property rights and the importance of complying with them is also a crucial step in overcoming these challenges. Overall, the challenges in protecting IPR in the digital era require creative and collaborative strategies. Although breaches are becoming increasingly sophisticated, technological advancements also provide new opportunities. With cooperation, awareness, and the right use of technology, IPR protection in the digital era can be strengthened to support innovation and creativity and protect the rights of artists and intellectual property owners. In the face of *the ever-evolving dynamics of e-commerce*, these measures are crucial to ensure effective protection for IPR in the digital era.

IPR Protection Policies and Initiatives in Indonesia

In Indonesia, the Intellectual Property Rights (IPR) legal system has existed since the era of the Colonial Government of the Netherlands. IPR regulations are implemented through several laws, including Auteurswet 1912 Stb.1912 No.600 on Copyright, Reglement Industriële Eigendom Colonien, and Octrooiwet 1910 S.No.33 yis S.11-33, S.22-

54 on patents. At that time, the government of the Netherlands East Indies implemented a policy of separation of laws where the provision only applied to Europeans in Indonesia, while indigenous peoples were subject to customary law that did not recognize a clear concept of ownership. After independence, the Indonesia government continued to apply Netherlands law based on Article II of the 1945 Constitution Transitional Regulations. IPR law continued to be in force, and in 1986, when IPR issues came up in the GATT negotiations in the Uruguay Round, the government formed the Presidential Decree Team 34 to draft IPR legislation tailored to IPR issues in the Uruguay Round and to implement the TRIPs Agreement. A number of IPR laws were subsequently produced, including Law Number 30 on Trade Secrets, Law Number 31 on Industrial Design, and Law Number 19 of 2002 on Copyright.

The preparation of IPR regulations in Indonesia and legal policies for IPR protection tend to follow the implementation of international conventions in the field of IPR more than the values, norms, and interests of the Indonesia people. Indonesia society has communal and religious values that are different from the IPR philosophy which tends to be individualist and capitalist, as reflected in international conventions. The act of adopting the IPR legal system from the West into the Indonesia legal system can be considered a direct transfer from one society to another. However, according to the theory of "The Law of The Non Transferability of Law" by Robert Seidman, law cannot be directly transferred from one society to another because foreign legal tools may not be compatible with the social tools, values, and thoughts of other societies. In this context, the effort to prepare IPR regulations in Indonesia seems to be a transplant of foreign law into the national legal system, which can provide benefits if it is in accordance with the legal system applicable in Indonesia, but can damage the Indonesia legal system as a whole if it is not suitable.

4. Conclusion

The conclusion is that too crude adoption of foreign legal systems often forgets the cultural context and local interests. While IPR is important for protecting intellectual works, disproportionate adjustment to social realities and societal values can result in an imbalance between the protection of intellectual rights and the public interest. Steps to develop more balanced and inclusive IPR regulations, involving various parties such as governments and local stakeholders, are needed to ensure that IPR protection supports innovation, economic development, and social justice without compromising cultural values and community interests. As a developing country, Indonesia needs to find a balance between the need for intellectual property rights protection and its unique social, cultural, and economic realities. With a more holistic approach and based on collaboration between various parties, including the government, industry players, and civil society, Indonesia can create a framework that is more responsive and tailored to local needs. Only by paying attention to the diversity and complexity of Indonesia's society can IPR protection truly serve as an effective tool in supporting inclusive and sustainable economic growth and promoting social justice.

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