

THE IDEAL CONCEPT OF INTELLECTUAL PROPERTY RIGHTS AUDIT IN SAFEGUARDING THE ECONOMIC INTERESTS OF COMPANIES

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ABSTRACT

This study aims to examine the ideal concept of intellectual property rights audits in securing the economic interests of companies. This research is normative juridical. This research uses various approaches: Statute *approach*, conceptual approach, and case study. The results showed that; 1) An audit of intellectual property rights for companies needs to be carried out in order to secure the company's economic interests; a) Intellectual property rights audits are able to identify intellectual property assets that are no longer used or obsolete; b) Intellectual property rights audits can help companies in managing licensing related to intellectual property rights; c) Intellectual property rights audits will greatly assist companies that intend to carry out mergers or acquisitions in making decisions; d) Intellectual property rights audits will help companies that are facing intellectual property rights disputes, both those in the position of plaintiffs and defendants; e) Intellectual property rights audits have the ability to assess an intellectual property asset. 2) Regulations in the field of intellectual property rights are able to accommodate the economic interests of the company; a) the national legal system, Law Number 31 of 2000 concerning Industrial Design, Law Number 32 of 2000 concerning Integrated Circuit Layout Design, Law Number 30 of 2000 concerning Trade Secrets, Law Number 29 of 2000 concerning the Protection of Plant Varieties, Law Number 13 of 2016 concerning Patents, Law Number 20 of 2016 concerning Trademarks, Law Number 28 of 2014 concerning Copyright; b) international law including; *World Trade Organization Agreement (WTO)*, *World Intellectual Property Organization (WIPO)*, *Trade-Related Aspect Intellectual Property Rights (TRIPs)*. 3) The ideal concept of intellectual property rights audits in safeguarding the company's economic interests can be carried out through internal and external audits, which focus on a) New Management of Intellectual Property; b) Merger, Acquisition, *Joint Venture*; c) Transfer or Interest in Assignment of Intellectual Property; d) Licensing *Agreement Program*; e) Financial Transactions Involving Intellectual Property

Keywords: concept, ideal, audit, intellectual property rights, security, economics, enterprise

INTRODUCTION

Background

The economic value of an Intellectual Property Rights (INTELLECTUAL PROPERTY RIGHTS). It is not uncommon to shoot far away from its physical assets, and sometimes it can even happen to copyrighted works that seem trivial and not too difficult to make. For example, the Mickey Mouse character created by *Walt Disney*. Of the number of characters under *Disney's* patronage, the most entrenched character remembered until now is Mickey Mouse. *The Walt Disney Company* itself is already a company that owns a lot of intellectual property assets and that has been one of the biggest parts of its success. In other words, *The Walt Disney Company* has been very successful in exploiting its intellectual property holdings. In 2019, *Disney* earned revenues of 70 Billion USD and 66%; From this income comes from copyright.¹

Some cases of intellectual property infringement can also show us how much INTELLECTUAL PROPERTY RIGHTS have high economic value. Among the cases that occurred between *Intel Corp* and *VLSI Technology* became one of the largest patent infringements in the history of the United States. In this case, through a Federal jury in Texas stated that *Intel Corp* must pay damages of 2.18 billion USD. Intel is said to have infringed two patents owned by *VLSI Technology*. The amount of the fine is 1.5 billion USD for the first violation and 675 million USD for the second violation.² The same dispute was also experienced by the Apple company with *Personalized Media Communications LLC* (PMC). In this case, the Apple technology company was sanctioned with 308 million USD. This fine was imposed by a Federal Jury in Texas USA, because Apple committed patent infringement to the PMC licensing company.³ In addition, there is another patent dispute between the Apple Company and the telecommunications company *Optis Wireless Technology*. In this case, Apple is accused of infringing Optis' patent related to 4G/LTE technology used in iPhone, iPad, and Apple Watch devices. A Federal Court jury in Texas, USA, ruled that Apple was guilty of infringing Optis' patents and ordered the Cupertino-based technology company to pay royalty compensation of 300 million USD or around Rp. 4.3 trillion.⁴

Some data is in a considerable amount of money which is the economic value of INTELLECTUAL PROPERTY RIGHTS. In research conducted by Akamai

¹ Am Badar & Am Badar AB. 2021. <https://ambadar.co.id/patent/kesuksesan-the-walt-disney-company-dengan-kekayaan-intelektual/>. accessed March 2022

² Kompas.com. 2021. "Two Violations That Got Intel Fined Rp. 31.Trillion." <https://tekno.kompas.com/read/2021/03/04/07000007/dua-pelanggaran-yang-membuat-intel-didenda-rp-31-triliun>. accessed March 2022

³ Hari Darmawan & Choirul Arifin. Techno Tribune. 2021. "Apple Fined 308 Million USD for Patent Infringement" <https://www.tribunnews.com/techno/2021/03/25/apple-didenda-308-juta-dolar-as-karena-pelanggaran-hak-paten>. accessed March 2022

⁴ Kompas.com. 2021. "Apple Fined Rp. 4.3 Trillion for iPhone, iPad and Apple Watch". <https://tekno.kompas.com/read/2021/08/17/16100097/apple-didenda-rp-4-3-triliun-gara-gara-iphone-dan-ipad>. accessed March 2022

Technologies, Inc titled *Pirates in the Outfield* in the January-September 2021 period, the number of streams and downloads without an official license reached 3.7 billion times. In the United States alone, there were losses of up to US\$29.2 billion or around RP. 417.56 trillion per year due to piracy without an official license. According to this research, 61.5%; consumers who visit piracy sites access the site directly, while 28.6%; actively searching for the site. Piracy raises security problems internally in the organization and as another potential attack that must be prevented so that there is no violation of INTELLECTUAL PROPERTY RIGHTS. The following is a description of piracy trends according to the research:

- 1) The total number of visits to piracy websites was 132 billion between January 2021 and September 2021
- 2) The industries with the most pirated content are television (64 billion total visits), publishing (30 billion total visits), movies (14.5 billion total visits), music (10.8 billion total visits), which includes video games and modern PC software (8.9 billion total visits).
- 3) Globally, the United States (13.5 billion), followed by Russia (7.2 billion), India (6.5 billion), China (5.9 billion), and Brazil (4.5 billion) were the five countries with the highest number of visits to piracy websites last year.⁵

A little picture above shows that the country that is most harmed by piracy is the United States, it is due to the many works of American citizens spread almost all over the world. Based on *the Ipsos Public Affairs survey* report conducted in 32 countries, including Indonesia, China, Vietnam, Russia, Australia, the United States and South Africa. The research was conducted by individual or online interviews. Of the 32 countries, Indonesia ranks seventh as a user of pirated software at 65%, According to BSA (*Business Software Alliance*) President and CEO, Robert Holleyman, "it is estimated that hundreds of millions of hijackers have made losses of US\$ 59 billion from all pirated software last year". According to him, in addition to legal action, the level of piracy can be reduced by educating business people or individuals on how to get *software* officially. The following is the percentage of illegal *software* use in various countries: 1. China: 86%; 2. Nigeria: 81%; 3. Vietnam: 76%; 4. Ukraine: 69%; 5. Malaysia: 68 %; 6. Thailand: 65%; 7. Indonesia 65 %; 8. Saudi Arabia: 62%; 9. South Korea: 60 %; 10. Mexico: 60 %; 11. Brazil: 55%; 12. Colombia: 54 %; 13. Chile: 53%; 14. Russia: 52 %; 15. Spain: 50 % ; 16. Poland: 48%; 17. Czech Republic: 47 % ; 18. Turkey: 43 % ; 19. Argentina: 39%; 20. Italy: 37 %; 21. Australia: 37%; 22. United States: 34 % ; 23. Switzerland: 31 %; 24. The Netherlands:

⁵ Monica Wareza, CNBC Indonesia. 2022. "Here's the Trend of Online Piracy in 2021, Horror?". <https://www.cnbcindonesia.com/tech/20220201083508-37-311999/begini-tren-pembajakan-online-di-2021-nger> accessed March 2022

30 %; 25. England: 30 % ; 26. Japan: 29 % ; 27. Sweden: 29 %; 28. India: 28%; 29. Canada: 27%; 30. France: 26 % ; 31. Germany: 21 % ; 32. South Africa: 20 % .⁶

In Indonesia itself, BSA recently revealed that the rate of computer program piracy in the country reached 83% with a total estimated loss of 1.9 billion USD or equivalent to Rp 16 trillion. Indonesia is the country with the most users of pirated software at the company level in the region throughout Southeast Asia and even Asia Pacific.⁷ Computer program hijacking is very detrimental, In addition to violating the law, the use of pirated software is at great risk of being exposed to cyber attacks, such as malware viruses. In addition, the rampant circulation of pirated goods can hinder the government from cooperating with external parties to invest in Indonesia.⁸

In response to the rampant piracy of computer programs in Indonesia, the Directorate General of Intellectual Property Rights once sent a letter via *direct mailer* to 10 thousand software *users* (*software*. to use legal software. The content of the letter is in the form of an appeal to use legal software for software users, especially businesses and entrepreneurs. In addition, the Directorate General of Intellectual Property Rights also signed an MOU with the police on June 10, 2003 for the effectiveness of law enforcement in the field of INTELLECTUAL PROPERTY RIGHTS violations. The government has also designed the formation of a team to counter violations of intellectual property rights which includes members of the Police, the Attorney General's Office, the Supreme Court, the Ministry of Health and Human Rights, and Customs and Excise. This team is designed to determine the direction of enforcement of infringement in the field of INTELLECTUAL PROPERTY RIGHTS, including combating piracy nationwide.⁹

If you look at the map of copyright piracy in the *entertainment sector* in the country, the rate of piracy in Indonesia is still very high. The losses reached trillions of rupiah due to low public awareness of the award of intellectual property rights (INTELLECTUAL PROPERTY RIGHTS.). According to the Deputy for Facilitation of

⁶ Time. Co.2011. "Indonesia Ranks 7th in Pirated Software Users". <https://tekno.tempo.co/read/354992/indonesia-peringkat-7-pengguna-software-bajakan>. accessed March 2022

⁷ Adi Renaldi. 2019. "Suevey: The Majority of Indonesian Companies Still Use Pirated Software". <https://www.vice.com/id/article/bjwb3a/survei-mayoritas-perusahaan-indonesia-masih-pakai-cari-software-komputer-bajakan>. accessed March 2022

⁸ DJKI Admin. 2019. "Seriously Prevent Software Taxation, DJKI Inspects RTC Bali". <https://dgip.go.id/artikel/detail-artikel/serius-cegah-pembajakan-software-djki-sidak-rtc-bali?kategori=liputan-penyidikan-ki>. accessed March 2022

⁹ Suara Karya August 2, 2003, *Fighting Piracy with Copyright Law*. In addition, the Directorate General of Intellectual Property Rights also socialized the slogan " *Stop Piracy*". However, so far data on results and effectiveness are not known. The author argues that fighting piracy of intellectual property infringement in this country is just as difficult as fighting terrorists. Many components should go hand in hand in the fight against piracy. These components are: related law enforcement officials, accelerated macroeconomic improvement, changes in business patterns for business actors for certain products, adequate UUHC, sociological shame culture campaigns need to be effectively rolled out. The components must run together. This means that the routine racism that is carried out, the threat of heavy piracy punishments in the UUHC, will not be effective in reducing piracy if the price of the original product is still high for the pockets of most members of the community.

INTELLECTUAL PROPERTY RIGHTS and Regulations of the Creative Economy Agency (Bekraf. Ari Juliano Gema, Indonesia is one of the countries with a high rate of piracy. This happens because there is still low public awareness in respecting the INTELLECTUAL PROPERTY RIGHTS of others. Data from ASIRI (Indonesian Recording Industry Association). in 2017 it was stated that losses due to music piracy reached Rp. 8.4 trillion and losses of Rp. 1.4 trillion due to DVD piracy and illegal downloading.¹⁰

The data on the amount of losses above actually intends to provide us with information that there is so much economic value involved in a copyright, which is often the economic side that wants to be fought for through legal channels, even this is also done a lot up to the stage between countries. Thus, seeing the large economic side of INTELLECTUAL PROPERTY RIGHTS, it has changed the position of INTELLECTUAL PROPERTY RIGHTS, which was originally only as individual or corporate rights, into an interstate issue.¹¹

According to the USTR (*United States Trade Representative*), the industry in the US suffered losses of about US\$ 253 million for 2002, or an increase of one-third compared to last year due to the rampant copyright piracy in Indonesia. Another issue highlighted by the USTR is the length of the process of the INTELLECTUAL PROPERTY case to the Court and the low penalties imposed on copyright pirates.¹² This condition has resulted in the USTR replacing Indonesia in 2021 on the *priority watchlist* because it is considered that law enforcement for violations of INTELLECTUAL PROPERTY RIGHTS in the country is still weak. Indonesia is not alone in this. In 2021, the Directorate General of Intellectual Property (DJKI) of the Ministry of Law and Human Rights plans to collaborate with the Criminal Investigation Branch of the National Police to remove Indonesia from the *Priority Watch List* (PWL) status issued by the *United States Trade Representative* (USTR) or the United States Chamber of Commerce Office. Because Indonesia's inclusion in the *priority watchlist* for 15 years has had a huge impact nationally and globally. Some of the efforts of the Ops Task Force in order to get Indonesia out of PWL status with 5 programs include: Establishment of

¹⁰ Wine Drinks. 2019. "Copyright Piracy in Indonesia Is Still High". <https://mediaindonesia.com/nusantara/258462/pembajakan-hak-cipta-di-indonesia-masih-tinggi>. accessed March 2022

¹¹ For example *United States Representative (USTR)*. Indonesia as a country in the group *Priority Watch List*, meaning that countries whose law enforcement is still considered weak in the field of infringement of INTELLECTUAL PROPERTY RIGHTS. The weakness of law enforcement, according to the USTR, is in the field of copyright (computer programs, CDs, VCDs. and drug patents. Indonesia is not alone in this regard, including this group is: South Korea, Israel, PRC, South Africa. What is concerning is the threat of Special Article 301 (US trade law .. In 2000 on the recommendation of IIPA(*International Intellectual Property Alliance.*, placing Indonesia as a country that *Watch list* without "*Priority*". The same thing happened to Indonesia in 1986 during the rampant piracy of domestic tapes made by US citizens in Indonesia. US threatens to revoke GSP (*General System of Preference*. if Indonesia does not make changes to the 1982 UUHC.

¹² Suwantin Oemar, Indonesia *Priority watch list*, USTR:" *Weak Enforcement of INTELLECTUAL PROPERTY RIGHTS*", Service Analysis, Wednesday 14-5-2003.

Permenkumham, Cooperation Agreement with *Stakeholders*, Procurement of Investigator Tools, PPNS Training and *Training*, and Establishment of Investigator Functional Positions.¹³ There are 9 other countries that are also categorized in the *priority watch list* by the USTR. These 9 countries are considered to have not provided adequate legal protection and effectively enforced the INTELLECTUAL PROPERTY RIGHTS law. In 2021, the US recorded that at least 32 of its trading partner countries were considered to lack protection for INTELLECTUAL PROPERTY RIGHTS, thus harming its industry, especially in the copyright sector.¹⁴

The *U.S. Chamber of Commerce's* Global Innovation Policy Center (*GIPC*) assesses Southeast Asia (ASEAN) as a highly competitive region in implementing Intellectual Property Rights (IPR) protection. In 2018, according to the Index that measures the IPR system in the results of the GIPC research entitled "*Create*", Singapore led the ASEAN region by being ranked ninth out of 50 countries. Malaysia followed by occupying the 22nd position, followed by Brunei Darussalam in 35th position, the Philippines in 38th position, Vietnam in 40th position, Thailand in 40th position and Indonesia in 43rd position. Countries, such as Indonesia, Thailand, and Vietnam, are still struggling to carry out long-term programs to strengthen coordination between government agencies related to the implementation of IPR.¹⁵

Problem Statement

1. Why is it necessary to audit INTELLECTUAL PROPERTY RIGHTS for companies in order to secure the company's economic interests?
2. To what extent are regulations in the field of Intellectual Property Rights able to accommodate the company's economic interests?
3. What is the ideal concept for an INTELLECTUAL PROPERTY RIGHTS audit to be a necessity in order to secure the company's economic interests?

THEORETICAL FRAMEWORK

The potential commercialization of INTELLECTUAL PROPERTY RIGHTS and the potential for losses due to INTELLECTUAL PROPERTY RIGHTS, so it is very wise to conduct *Intellectual Property Audits (IP Audits)* for companies that are established in carrying out business activities. *IP Audit* is actually a review (a systematic review of the INTELLECTUAL PROPERTY RIGHTS owned, used, proposed to be used, or

¹³ Directorate General of Intellectual Property, *Indonesia Issues Priority Watch List? DJKI and the Criminal Investigation Branch of the National Police Form an Operation Task Force Related to Intellectual Property Infringement*, DJKI, August 12, 2021, <https://dgip.go.id/artikel/detail-artikel/indonesia-keluar-priority-watch-list-djki-dan-bareskrim-polri-bentuk-satgas-operasi-terkait-pelanggaran-kekayaan-intelektual?kategori=Berita%20Resmi%20Desain%20Industri>, accessed on Thursday, March 17, 2022 at 10.03 WIB

¹⁴ USTR, *2021 Special 301 Report*, US: Office of the United States Trade Representative, p. 5

¹⁵ Ester Christine N, *Indonesia Is Not Ambitious in IP Protection*, CNBC Indonesia, March 7, 2018, <https://www.cnbcindonesia.com/news/20180307075059-4-6444/indonesia-tidak-ambisius-dalam-perlindungan-haki>, accessed on Thursday, March 17, 2022 at 10.11 WIB

obtained by the company). The main objective is to identify all intellectual property rights owned or used by the company and consider appropriate ways to provide protection, especially from various forms of infringement. From the manager's perspective, such an audit can help the company to determine its development strategy and also optimize the results of the company's proprietary intellectual property unit. The process to conduct an IP audit usually goes through several stages, including: *Innitiation, identification, consolidation, valuation, transfer, and education*.¹⁶

Deborah herself added some strategic suggestions for protecting intellectual property assets in a corporate as follows:

1. *conduct periodic intellectual property audits to identify intellectual property assets and improvements thereto;*
2. *appoint committees made up of sales, marketing and research and development team members to periodically discuss the company's product and services to ensure that company recognizes its intellectual capital;*
3. *determine the appropriate means to protect such assets from infringement and to use such assets to generate revenue;*
4. *control access and mark trade secret information as protected or confidential;*
5. *review periodicals and trade journals to monitor competitor's activities and to ensure that competitors do not infringe the company's intellectual property assets;*
6. *initiate intellectual property compliance policies to provide information and training to employees and others on the proper use of the company's intellectual property asset;*
7. *institute routine review of their own and competitor's websites to ensure that materials posted on such sites are not infringing;*
8. *h. retain experienced legal counsel as soon as intellectual property infringement claim may arise, whether on behalf of or against the company;*
9. *Investigate the possibility of obtaining insurance coverage for claims made against the company for intellectual property infringement.*¹⁷

Looking at intellectual property rights from an economic perspective, it is not uncommon for intellectual property rights to be able to contribute to the economic growth of a country. As written by **Stuart E. Eizenstat**, it is stated that the protection

¹⁶ Srijoy Das, *A practical Guide to Intellectual Property Audits*, At the level *Initiation* Action is taken to determine how far the scope of the audit will be. At *Identification* Actions are taken to identify all intellectual property rights owned or used by the company. *Consolidation* This means combining or consolidating the data obtained from the identification to further determine the actions to be taken for each asset that is successfully identified. *Valuation*, Once the intellectual property assets are identified, including regarding trade secrets (company., licenses, price estimates, new prices are made. *Transfer*, which is a step to prepare various documents needed for the transfer of intellectual property rights and register the agreement.

¹⁷ Deborah, opcit p.14

of innovation is essential for the growth of developed and developing countries in the future. There is a direct correlation between the protection of a country's intellectual property rights—patents, copyrights, trademarks—and the country's economic growth and development.

For developing countries, intellectual property rights initially seemed to be a temporary concept, but now it is beginning to be realized that if treated seriously, intellectual property rights can bring concrete and positive results. Without the protection of trade secrets, patents, copyrights, trademarks, the state in every stage of its development will squander their potential.

In case after case, the protection of intellectual property rights has become a runway for domestic and foreign investment, technology transfer, and economic growth. He further explained that due to good copyright protection, technology has improved in the software sector, which contributed nearly three-quarters of a million jobs in 1996-1997 and revenue from the tax sector is estimated at 21 billion US dollars in the same year. These job opportunities are enjoyed by almost all countries, starting from the alphabet, Argentina to Vietnam. Another example of the success of copyright protection in the field of audio-visual. Cyprus in 1990, before the implementation of copyright, had only two cinema halls, but after copyright protection efforts there are now 34 cinema halls and multiplex facilities are being developed.

In Asia in the world of sound recordings (cassette, CDs, Digital Video Discs/DVDs). The impact of copyright protection on economic growth is also visible. Ten years ago the music industry was estimated to have suffered losses of 400 million dollars per year. Since the introduction of legislative efforts and the enforcement of copyright, markets in Asia have grown admirably.

In 1996 Brazil was able to absorb two billion US dollars of investment in the pharmaceutical sector. India, on the other hand, is perhaps an interesting example of what can happen if the protection of intellectual property rights is not done in a balanced manner. The skill, perseverance, and tenacity of Indian engineers are greatly admired by the world. However, why is the development of biotechnology and pharmaceuticals stagnant, even though the developing information technology sector is exploding? The answer is because India has not provided patent protection for pharmaceutical products. As a result, none of the scientists and companies based in India will develop or market innovative pharmaceutical products.¹⁸

Several *surveys* conducted by WIPO member countries related to the contribution of copyright to the national economy have been conducted by several countries. *This survey* aims to obtain exact data on the percentage of copyright contributions to certain copyright-based industries to the national economy so that

¹⁸ Stuart E. Eizenstat, U.S. Deputy Secretary of the Treasury, *Protection of Intellectual Property Rights and Emerging Economies*, This article was created while the author was still serving as Assistant Secretary of State for Economy, Business and Agriculture of the United States.pp. 1-3

relevant steps can be taken for appropriate policy making. *The survey* is known as *copyright-based industries*. Based on the results of a 2015 survey conducted by several countries, it shows that the contribution of copyright-based industries to the GDP of the United States has increased by 11.25%. Meanwhile, in Australia, the contribution of copyright to GDP ranges from an average of 6.70-6.80%; In the Netherlands, the figure is 5.90%; for the year 2015. While in Finland it reached 4.90%.¹⁹

In 2019, Indonesia's Minister of Law and Human Rights stated that the contribution of intellectual property (IP) in the creative economy sector was recorded at Rp1,105 trillion in 2019. This figure is around 7% (percent) of Indonesia's average gross domestic product (GDP) in 2019. Indonesia is in third place in the world in terms of intellectual property (IP) achievements, below the United States and South Korea in the contribution of the intellectual property-based creative economy to GDP.²⁰

RESEARCH METHODOLOGY

This research is normative juridical. This research uses various approaches, with the aim of obtaining information from various aspects of the issue under study.²¹ Therefore, to solve the problems that are the subject of discussion in this study, the following approaches are used: Statute *approach*, conceptual approach, and case study.

The data source of a study is primary data and secondary data. Because this research is empirical and normative legal research, the sources studied are primary data sources, secondary data, and tertiary data.²²

The research technique in this study is descriptive analytical, where the analysis is carried out critically. The data collected in this study will be analyzed descriptively with a *qualitative approach*, namely by providing a thorough and in-depth explanation and explanation (*holistic / verstelen*).²³

¹⁹ WIPO, *Guide on Surveying the Economic Contribution of the Copyright-Based Industries*, Geneva 2015, pp. 14-16. WIPO has created guidelines or references that can be used by member countries in conducting a survey of copyright-based industrial contributions to the national economy. This book is 104 pages thick and contains complete procedures including implementation methods including the classification of haik cipta to make it easier to conduct surveys.

²⁰ CNN Indonesia, *Third Indonesian Intellectual Property in the World Behind the US and South Korea*, CNN Indonesia, April 26, 2021, <https://www.cnnindonesia.com/ekonomi/20210426121213-92-634755/kekayaan-intelektual-ri-ketiga-di-dunia-setelah-as-dan-korsel> accessed on Thursday, March 17, 2022 at 11.33 WIB.

²¹ Johnny Ibrahim, *Theory and Methodology of Normative Legal Research* (Malang: Banyumedia Publishing, 2006), p. 101.

²² Soekanto and Mamudji, *Normative Legal Research, A Brief Review*.

²³ Sugiyono, "Quantitative, Qualitative and R&D Research Methods," 26th (Bandung: Cv. Alfabeta, 2018), p. 34.

RESEARCH RESULTS

AN AUDIT OF INTELLECTUAL PROPERTY RIGHTS FOR COMPANIES NEEDS TO BE CARRIED OUT IN ORDER TO SECURE THE ECONOMIC INTERESTS OF THE COMPANY

The development of the business world that is increasing today requires resilience in the midst of fierce competition in the business world. Financial statements are an important instrument in the operations of a company. Financial statements are the result of an accounting process that can be used as a communication tool between financial data or operational activities of a company and certain parties who need that data or financial activity. One of the efforts or ways to create resilience and competitiveness for companies is to use *internal auditors*.²⁴

Internal auditor is an audit conducted by the company's internal audit department of the company's financial statements and compliance with top management policies that have been determined by government regulations and the provisions of applicable professional associations.²⁵

The company needs to have internal control to ensure the achievement of the planned goals. To be able to achieve these goals, the implementation of activities must be supervised and the economic resources owned must be deployed and used as best as possible. According to Tuanakotta, the purpose of the audit is to raise the level of trust of the intended user of the financial statement, towards the financial statement. This goal is achieved by providing an opinion by the auditor regarding the financial statements prepared in all material matters in accordance with the applicable financial reporting framework.²⁶

According to Arens, the purpose of the audit is to provide the user of the financial statements with an opinion given by the auditor on whether the financial statements are presented reasonably in all material respects, in accordance with the applicable financial accounting framework. This auditor's opinion adds to the level of confidence of the user concerned in the financial statements.²⁷

There are 3 types of audits according to Arens, including:²⁸

1) Operational Audit

²⁴ Muhammad Yaufie Rizky & Dadang Rahmat. "The role of effective internal audit in preventing fraud in financial reporting at PT. Good Indo Teknik". p. 1
<http://repository.stei.ac.id/1350/1/Jurnal%20Publikasi%20B.indonesia%20-%20Muhammad%20Yaufie%20Rizky%20%2811157000717%29.pdf>

²⁵ Agoes. 2012. *Auditing for Public Accounting Firms Third Edition*. Jakarta: FE UI. Page 204

²⁶ Tuannakotta, et al., 2013. *ISA (International Standard on Auditing) Based Auditing*. Jakarta: salemba four; p. 84

²⁷ Arens, Alvian Randal J, and Mark S. Beasley. 2015. *Auditing and Assurance Services Integrated Approach*. Volume I- Edition 15. Jakarta: Erlangga. Page 168

²⁸ Ibid, p. 32

Operational audit aims to evaluate the efficiency and effectiveness of operating procedures in each division within the company. The result of an operational audit is a recommendation for improvement of operational activities. The scope of operational audits is not only limited to the accounting division, but also the production, marketing, information technology, and other divisions. In practice, operational auditors are more like management consultants than auditors themselves. This is because the audit criteria or standards that are upheld are the standards of the company itself, not the audit standards of financial statements, so it will be subjective.

2) Compliance Audit

A compliance audit aims to determine whether a company has complied with any procedures, regulations, or regulations set by the authorities. Unlike auditing financial statements, the audit results will be reported to *users* or BAPEPAM in the form of audit reports. Compliance audits will only report the results of the audit to management because management is the party with an interest in seeing the company's compliance with the established procedures and regulations.

3) Financial Statement Audit (*Financial Statement Audit*)

The last type of audit is the audit of financial statements, this audit is the most commonly performed by auditors. The purpose of auditing financial statements is to determine whether the financial statements and the information contained therein have been presented in accordance with the set criteria. The criteria in question are *Generally Accepted Accounting Principles* (GAAP) for the United States. *International Financial Reporting Standard* (IFRS) for European Union countries, Financial Accounting Standard Statement (PSAK) for Indonesia, and others.

In carrying out audits, there are several types of audits carried out by auditors in accordance with the purpose of carrying out audits. According to Agoes, reviewed from the type of audit, audits can be divided into 4 types, namely:²⁹

1) Operational Auditing

An examination of the operational activities of a company, including accounting policies and operational policies that have been determined by the management in an effective, efficient, and economical manner. The definition of efficient here is that at a certain cost it can achieve the results or benefits that have been set or are useful. Effective is being able to achieve goals or objectives according to a predetermined time or succeed or can also be useful according to a predetermined time. Economical is with the lowest sacrifice that can achieve optimal results or be implemented economically.

²⁹ Agoes. *Op. Cit.* Page 14

2) Compliance *Audit*

The audit is carried out to determine whether the company has complied with the applicable regulations and policies, both those set by the company's *internal* parties (management and board of commissioners) and *external* parties (government, Bapepam, Bank Indonesia, the Directorate General of Taxes and others). Audits can be carried out by the Public Accounting Firm (KAP) or *the internal audit* department.

3) Internal Audit

Audits carried out by the company's internal audit department, both on the company's financial statements and accounting records, as well as compliance with predetermined management policies. The general audit conducted by *the internal auditor* is usually more detailed than the general audit conducted by the KAP. *Internal auditors* usually do not give an opinion on the fairness of financial statements, because parties outside the company consider that *internal auditors* who are insiders of the company are not independent. The *internal auditor's* report contains audit *findings* regarding the irregularities and fraud found, weaknesses in internal control, along with recommendations for improvement.

4) *Computer Audit*

Inspection by KAP of companies that process their accounting data using *the Electronic Data Processing (EDP) system*.

Intellectual Property Rights have become a significant business commodity today, where companies no longer view INTELLECTUAL PROPERTY RIGHTS as intangible assets that are only used as a complement in the wheels of business activities. But INTELLECTUAL PROPERTY RIGHTS have become an inseparable part of market and economic forces.

Given the potential commercialization of INTELLECTUAL PROPERTY RIGHTS and the potential for losses due to INTELLECTUAL PROPERTY RIGHTS, it is very wise to conduct *Intellectual Property Audits (IP Audits)* for companies that are established in carrying out business activities. IP Audit is actually a systematic review of INTELLECTUAL PROPERTY RIGHTS owned, used, proposed to be used, or obtained by the company.

The main purpose of exercising INTELLECTUAL PROPERTY RIGHTS is to identify all intellectual property rights owned or used by the company and consider appropriate ways to provide protection, especially from various forms of infringement. From the manager's perspective, such an audit can help the company to determine a development strategy and also optimize the results of the unity of intellectual property rights owned or used by the company. The process for conducting IP audits usually

goes through several stages, including: *Innitiation, identification, consolidation, valuation, transfer, and education*.³⁰

The scope of INTELLECTUAL PROPERTY RIGHTS regulated in the *Paris Convention* is: Patents, Brands, Industrial Design, *Utility Models, Trade Names, Unfair Competition, False Indications*. Based on this arrangement, it does not appear that *Copyright* is regulated in the Paris convention. This is because the view at that time considered that copyright was not in contact with matters related to the industry, but more related to the issue of creation, taste, and karsa.

Copyright itself is regulated separately outside the Paris Convention, which is regulated in the Bern Convention of 1886. In subsequent developments, copyright also received its own attention in the UCC³¹ (*Universal Copyright Convention*). When compared between the Bern Convention and the UCC, the difference actually lies in the philosophical basis that governs it. The Bern Convention adheres to the basis of European philosophy that considers copyright as a natural right rather than a personal creator, thus emphasizing the individualist nature that confers monopoly rights. Meanwhile, the UCC tries to bring together European philosophy with American philosophy (although there is finally an American philosophy put forward) which views the monopoly rights granted to the creator as more of an attempt to pay attention to the general public.³²

According to the United States and Latin American countries, one of the reasons why they are not willing to participate in the Bern Convention is because this convention does not contain the formalities for the realization of copyright and protection from it. On the other hand, in the American conception, various formalities are required for the creation of copyright. It is precisely to bring these two systems together that UNESCO has made various efforts and has produced *the Universal Copyright Convention (UCC)*.³³

When associated with the existence of the *Convention Establishing the World Intellectual Property Organization* of 1967³⁴ (the Convention on the establishment of

³⁰ Srijoy Das, *A practical Guide to Intellectual Property Audits*, At the *Initiation* stage, action is taken to determine how far the scope of the audit will be carried out. In *Identification*, the identification of all intellectual property rights owned or used by the company is carried out. *Consolidation* means combining or consolidating the data obtained from the identification to further determine the actions to be taken for each asset that is successfully identified. *Valuation*, after the intellectual property assets are identified, including trade secrets (company), licenses, and price estimates are just made. *Transfer*, which is the step to prepare various documents needed for the transfer of intellectual property rights and register the agreement.

³¹ The UCC (*Universal Copyright Convention*) underwent a final revision on July 24, 1971 in Paris. The Convention consists of 21 Articles. This convention was created on the initiative of UNESCO, therefore this convention also regulates the protection of works from International Organization Bodies.

³² Saidin, *op.cit* p. 139.

³³ Sudargo Gautama, *op.cit* p. 89-80

³⁴ WIPO, *General Information*, Geneva 1978.p 6. WIPO is an English term, in French and Spanish it is known as "*WIPO*", and in Russian the term "*BONC*". WIPO was founded and signed in Stockholm in 1967 but only came into force in 1970. Historically, the existence of WIPO is related to the Paris Convention and the Berne Convention

WIPO), it is stated in this convention that: *Intellectual Property comprises two branches: industrial property; chiefly in inventions, trademarks and designs, and copyright, chiefly in literary, musical, artistic, photographic and cinematographic works.* Thus, according to this convention, it is still similar to the Paris convention which still separates Intellectual Property Rights into two groups, namely those related to industries such as Patents, Trademarks, Designs, while copyrights are considered as part of Intellectual Property Rights that have no connection with industrial activities.

The Company conducts an intellectual property audit as part of the evaluation of its business activities are: a. New Management of Intellectual Property, b. Mergers, Acquisitions, *Joint Ventures*, c. Transfer or Interest in Assignment of Intellectual Property, d. License Agreement Program (Licensing.), e. Significant Changes in Laws and Regulations, f. Financial Transactions Involving Intellectual Property, g. Launching new products or services in business.³⁵

Each intellectual property audit focuses itself on three main studies. *First*, IPR advocates/consultants or the company's internal personnel in conducting IPR auditing need to first identify all intellectual property assets owned by the company. *Second*, IPR advocates/consultants or internal personnel of the company identify any issues that exist in connection with the ownership of intellectual property rights or any errors in the enforcement of the company's intellectual property. And *finally*, IPR advocates/consultants or internal personnel of the company must identify intellectual property assets that are not protected by IPR law.³⁶

REGULATIONS IN THE FIELD OF INTELLECTUAL PROPERTY RIGHTS ARE ABLE TO ACCOMMODATE THE ECONOMIC INTERESTS OF COMPANIES

In the national legal system, Intellectual Property Rights have been regulated in several laws and regulations such as, Law Number 31 of 2000 concerning Industrial Design, Law Number 32 of 2000 concerning Integrated Circuit Layout Design, Law Number 30 of 2000 concerning Trade Secrets, Law Number 29 of 2000 concerning the Protection of Plant Varieties, Law Number 13 of 2016 concerning Patents, Law Number 20 of 2016 concerning Trademarks, Law Number 28 of 2014 concerning

which at that time required a kind of international bureau or secretariat and in 1893 the *United International Bureaux for the Protection of Intellectual Property*, known as "**BIRPI**" was formed" (in French). In its development, in practice, these tasks were carried out by WIPO, which was officially designated as a *special agency of the United Nations* in 1974, which is the fourteenth special agency of the United Nations.

³⁵ Leslie J Lott, Taking Stock of an Intellectual Property Inventory: How to Conduct an Intellectual Property Audit, source: <http://www.patenfla.com/article/ipaudit.htm>. 1998, Lott&Friedland, P.A., Miami, FL, no page, accessed November 14, 2013

³⁶ Nancy Baum Delain, The Intellectual Property Audit, *Les Nouvelles*, Vol. 38 No. 4, 193-200, Dec. 2003, no page.

Copyright, and many more. The legal interests protected in the regulation of IPR are useful for protecting the protection, encouraging and rewarding any innovation and preventing it through incentive systems, and duplication. In short, there are two main scopes of IPR, namely, copyright and related rights (*Copyrights*) and industrial property rights (*Industrial Property Rights*). Meanwhile, in the international scope, IPR can be found in *the World Trade Organization Agreement* (WTO), *the World Intellectual Property Organization* (WIPO), *Trade-Related Aspect Intellectual Property Rights* (TRIPs) and so on.³⁷

Intellectual Property Rights (INTELLECTUAL PROPERTY RIGHTS) are exclusive rights given by the state to creators, inventors or designers for their creations or inventions that have commercial value, either directly automatically or through registration with the relevant agencies as an award, recognition of rights that deserve legal protection.³⁸

Intellectual Property has 2 (two) main aspects, including:³⁹

- 1) These processes and products cover various fields widely, ranging from the fields of art and literature to inventions and innovations in the field of technology and all other forms that are the result of the process of human creativity through creation, taste, and karsa.
- 2) The copyrighted work or invention gives rise to property rights for the creator or inventor. It is a property right, therefore the rights of a creator or inventor to his or her copyrighted work must be protected.

INTELLECTUAL PROPERTY RIGHTS are the right to property that arises or is born from human intellectual ability. Intellectual Property Rights are categorized into 2 groups, namely *Copy Rights* and *Industrial Property Rights* which consist of *Patents*, *Trademarks*, *Industrial Design*, *Trade Secrets* and *Integrated Circuit lay out Design*. The purpose of the classification of Intellectual Property Rights is to maintain the creativity and identity that has been built by a company so that it is better known by the wider community.⁴⁰

The Intellectual Property Rights category has different arrangements for the business world. Copyright has regulations in Law Number 28 of 2014 concerning Copyright (UUHC 2014) and [Government Regulation of the Republic of Indonesia](#)

³⁷ Admin Staff. 2021. "The Importance of Intellectual Property Rights Protection (IPR. In the business world". <https://fh.unair.ac.id/en/pentingnya-perlindungan-hak-kekayaan-intelektual-HKI-dalam-dunia-bisnis/>. Diakses March 2022

³⁸ Andy O'Neill. "Brand Mapping and Industrial Design of MSMEs with the Potential for INTELLECTUAL PROPERTY RIGHTS in Kudus Regency Based on Geographic Information System Using Google MAP API", *Proceedings of the National Seminar on Multi-Discipline and Call for Papers Unisbank (SENDI-U)*. ISBN: 978-979-3649- 81-8.

³⁹ Kholis Roisah. 2015. *Legal Concept of Intellectual Property Rights (INTELLECTUAL PROPERTY RIGHTS): History, Definition and Philosophy of Recognition of INTELLECTUAL PROPERTY RIGHTS from Time to Time*. Malang: Setara Press. p. 7

⁴⁰ OK Saidin. 2015. *Legal Aspects of Intellectual Property Rights*. Jakarta: Raja grafindo Persada. p. 16.

[Number 1 of 1989 concerning the Translation and/or Reproduction of Works for the Purposes of Education, Science, Research and Development](#). Before the regulation of the 2014 UUHC, Copyright was regulated in several old laws, including Law Number 6 of 1982 concerning Copyright; Law Number 7 of 1987 concerning Amendments to Law Number 6 of 1982 concerning Copyright; Law No. 12 of 1997 concerning Amendments to Law No. 6 of 1982 as amended by Law No. 7 of 1987 concerning Copyright; and Law Number 19 of 2002 concerning Copyright. Likewise with Industrial *Property Rights*.

In the category of industrial property rights, it also has its own regulations. Patent Rights has regulations in [Law of the Republic of Indonesia Number 13 of 2016 concerning Patents](#) and several Government regulations, including [Government Regulation of the Republic of Indonesia Number 27 of 2004 concerning Procedures for the Implementation of Patents by the Government](#); [Government Regulation of the Republic of Indonesia No. 34 of 1991 concerning Patent Application Procedures](#); and [Regulation of the Minister of Law and Human Rights of the Republic of Indonesia Number 38 of 2018 concerning Patent Applications](#).

In Trademark Rights, the regulations are contained in [the Law of the Republic of Indonesia Number 20 of 2016 concerning Trademarks](#) and [Government Regulation of the Republic of Indonesia Number 24 of 1993 concerning Classes of Goods or Services for Trademark Registration](#), as well as [the Regulation of the Minister of Law and Human Rights of the Republic of Indonesia Number 67 of 2016 concerning Trademark Registration](#).

Industrial design regulations are contained in [Law of the Republic of Indonesia Number 31 of 2000 concerning Industrial Design](#) along with [the Explanation of Law Number 31 of 2000 concerning Industrial Design](#). In addition, the regulations are contained in [Government Regulation of the Republic of Indonesia Number 1 of 2005 concerning the Implementation of Law Number 31 of 2000 concerning Industrial Design](#).

The integrated circuit layout design has regulations in [the Law of the Republic of Indonesia Number 32 of 2000 concerning Integrated Circuit Layout Design](#). Meanwhile, the regulation of trade secrets is contained in [Law of the Republic of Indonesia Number 30 of 2000 concerning Trade Secrets](#).

The Intellectual Property Law guarantees that inventions, patents and others will be protected before they can become public *domain*. This factor is decisive for companies because these incentives are considered a way to dominate the market but are not a violation of the law.⁴¹

The decision to impose these regulations is influenced by various factors such as social, political interests and economic conditions of a country. Therefore, the form,

⁴¹ L. A. Sullivan, 1977, *Antitrust*. (Minnesota: West Publishing, 1999), p. 801

purpose, character and scope of the arrangement may change according to the conditions that exist at that time. For example, for decades the market in Indonesia was heavily influenced by the granting of special rights to a certain group of entrepreneurs and at the same time the government had a policy to protect small and medium enterprises based on the interpretation of Article 33 of the 1945 Constitution, which states that "*the economy is structured as a joint venture based on the desire of the family*". The meaning contained in this verse is very deep, namely that the economic system developed should not be based on competition and on a very individualistic principle.

THE IDEAL CONCEPT OF INTELLECTUAL PROPERTY RIGHTS AUDIT IN SAFEGUARDING THE ECONOMIC INTERESTS OF COMPANIES

Intellectual Property Rights Audit is a procedure for reviewing the policies for the management of Intellectual Property Rights as well as the procedures used by organizations (companies) to identify, obtain and protect their Intellectual Property Rights and protect the company from the INTELLECTUAL PROPERTY RIGHTS of others.⁴² The use of this INTELLECTUAL PROPERTY RIGHTS Audit is a process to anticipate the company from negative risks resulting from ignorance of the obligations that must be fulfilled by the company in relation to the INTELLECTUAL PROPERTY RIGHTS of other parties. In other words, another purpose of this INTELLECTUAL PROPERTY RIGHTS audit is to provide all the convenience in doing business.⁴³

Audit activities in the form of management and inventory of Intellectual Property Rights are part of the company's business risk management. Identification and management activities of these risks are important because basically every day the company will face various kinds of risks for various business activities carried out as well as the consequences of management decisions taken. Risk is uncertainty about the probability of an event occurring and the impact of the event if it actually occurs which can have a material influence on the achievement of the company's goals.⁴⁴

Understanding of INTELLECTUAL PROPERTY RIGHTS audits Due to increasingly competitive business competition and driven by rapid innovation, corporate awareness began to emerge by positioning intellectual property audits closer into part of the corporate structure. Broadly speaking, there are three alternative positions or positions of *Internal Auditing* (the auditing party is called *the Auditor*) in the company's organizational structure, namely:

- 1) *Internal Auditing* is under the Board of Commissioners;
- 2) *Internal Auditing* is under the President Director; and

⁴² William W Cochran, Intellectual Property Audits, Papers without year.

⁴³ Budi Santoso, Copyright Law, Lecture Notes at the Master of Law, Diponegoro University, Semarang, 2013

⁴⁴ Ardeno Kurniawan, Internal Audit of Added Value for Organizations, (Yogyakarta: BPFE-UGM, 2012) p. 65

3) *Internal Auditing* is under the Head of Finance and Legal Division.⁴⁵

To conduct an INTELLECTUAL PROPERTY RIGHTS audit, basic capital is needed, namely understanding the economic aspects of each INTELLECTUAL PROPERTY RIGHTS branch, understanding the basic principles of the INTELLECTUAL PROPERTY RIGHTS branches, and determining the right audit steps. Audit actions can be carried out in two ways, namely by the company itself without involving outside the company (*company itself*) or by asking *the law firm* to conduct an audit of the company (*outside counsel*).⁴⁶

If the company decides to conduct its own INTELLECTUAL PROPERTY RIGHTS audit without involving parties outside the company (*company itself*), then the following things need to be considered:

- a) A teamwork *must be formed* that will carry out audit tasks, and it is carried out by those who understand INTELLECTUAL PROPERTY RIGHTS;
- b) It is necessary to create a separate INTELLECTUAL PROPERTY RIGHTS section that is in charge of maintaining the list of INTELLECTUAL PROPERTY RIGHTS assets owned by the company and is in charge of updating it regularly or periodic;
- c) Creating a list of *audit question forms*; and
- d) Creating a list of the company's actions to protect INTELLECTUAL PROPERTY RIGHTS as a result of the audit.⁴⁷

If the audit is not carried out by the company's team itself, then the help of an external party can be requested to conduct an audit of INTELLECTUAL PROPERTY RIGHTS, namely *a law firm* that understands the ins and outs of INTELLECTUAL PROPERTY RIGHTS. For this reason, usually *the law firm* will ask for several things that need to be prepared by the company, including:⁴⁸

- a) *The law firm* works by requesting various documents to be examined, sometimes with a questionnaire prepared;
- b) For this reason, a person in the company with a certain position must have been prepared to be appointed as a source of information needed by the *law firm*;
- c) *Lawfirm* will provide a written report to the company (client) on the findings of the company's INTELLECTUAL PROPERTY RIGHTS assets;

⁴⁵ Manahan Nasution, Overview of Internal Auditors, paper, (Sumatra: FE USU, 2003), p. 4

⁴⁶ Budi Santoso. 2008. *Audit of INTELLECTUAL PROPERTY RIGHTS (Intellectual Property Rights) for companies*. Semarang: p. 42.

⁴⁷ Ibid

⁴⁸ Ibid

- d) Draw conclusions from the findings; and
- e) Provide the best advice to take protective measures.

In general, an audit of INTELLECTUAL PROPERTY RIGHTS is an inspection of intellectual property owned, used, or obtained in the company's business as well as *a review* of the management, maintenance, utilization, and enforcement of INTELLECTUAL PROPERTY RIGHTS. According to Leslie J. Lott, the right time for a company to conduct an intellectual property audit as part of its business activity evaluation is: ⁴⁹

- a) New Management of Intellectual Property;
- b) mergers, acquisitions, *joint ventures*;
- c) Transfer or Interest in Assignment of Intellectual Property;
- d) Licensing *Agreements* (Licensing) Programs;
- e) Significant Changes in Laws and Regulations;
- f) Financial Transactions Involving Intellectual Property; and
- g) *Launching* new products or services in business.

According to WIPO, an audit of intellectual property rights has many benefits for companies, both from legal and economic aspects. These benefits include:⁵⁰

- 1) INTELLECTUAL PROPERTY RIGHTS audit is able to identify intellectual property assets that are no longer used or obsolete. With this identification, the company can save the costs that were initially allocated to take care of these obsolete assets.
- 2) An INTELLECTUAL PROPERTY RIGHTS audit can assist companies in managing licensing related to INTELLECTUAL PROPERTY RIGHTS. As with the first benefit, an INTELLECTUAL PROPERTY RIGHTS audit will be able to identify which intellectual property assets are important so that they need to be prioritized for licensing.
- 3) An INTELLECTUAL PROPERTY audit will greatly assist companies that want to make a merger or acquisition in making decisions. With an INTELLECTUAL PROPERTY RIGHTS audit, it will be revealed clearly the potential intellectual property of the company to be acquired or merged.
- 4) An INTELLECTUAL PROPERTY RIGHTS audit will help companies that are facing intellectual property disputes, both those in the position of plaintiffs and defendants. An INTELLECTUAL PROPERTY RIGHTS audit has the ability to assess an intellectual property asset that is the object of a dispute, so that

⁴⁹ Leslie J Lott, Taking Stock of an Intellectual Property Inventory: How to Conduct an Intellectual Property Audit, source: <http://www.patenfla.com/article/ipaidut.htm>. 1998, Lott&Friedland, P.A., Miami, FL, no page, accessed November 14, 2013

⁵⁰ Check INTELLECTUAL PROPERTY RIGHTS. "Understanding the Urgency of Auditing INTELLECTUAL PROPERTY RIGHTS FOR COMPANIES". 2021. <https://cekHakWealthIntelektual.id/memahami-urgensi-audit-HakIntelektualProperty-for-companies/>. accessed October 2022

the relevant company can design the right strategy to resolve the disputes faced.

CONCLUSION

The results showed that; 1) An audit of intellectual property rights for companies needs to be carried out in order to secure the company's economic interests; a) Intellectual property rights audits are able to identify intellectual property assets that are no longer used or obsolete; b) Intellectual property rights audits can help companies in managing licensing related to intellectual property rights; c) Intellectual property rights audits will greatly assist companies that intend to carry out mergers or acquisitions in making decisions; d) Intellectual property rights audits will help companies that are facing intellectual property rights disputes, both those in the position of plaintiffs and defendants; e) Intellectual property rights audits have the ability to assess an intellectual property asset. 2) Regulations in the field of intellectual property rights are able to accommodate the economic interests of the company; a) the national legal system, Law Number 31 of 2000 concerning Industrial Design, Law Number 32 of 2000 concerning Integrated Circuit Layout Design, Law Number 30 of 2000 concerning Trade Secrets, Law Number 29 of 2000 concerning the Protection of Plant Varieties, Law Number 13 of 2016 concerning Patents, Law Number 20 of 2016 concerning Trademarks, Law Number 28 of 2014 concerning Copyright; b) international law including; *World Trade Organization Agreement* (WTO), *World Intellectual Property Organization* (WIPO), *Trade-Related Aspect Intellectual Property Rights* (TRIPs). 3) The ideal concept of intellectual property rights audits in safeguarding the company's economic interests can be carried out through internal and external audits, which focus on a) New Management of Intellectual Property; b) Merger, Acquisition, *Joint Venture*; c) Transfer or Interest in Assignment of Intellectual Property; d) Licensing *Agreement Program*; e) Financial Transactions Involving Intellectual Property.

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