

THE EFFECTIVENESS OF THE GOVERNMENT REGULATION CONCERNING FRANCHISES IN RESOLVING FRANCHISE BUSINESS DISPUTES IN INDONESIA

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Abstract

Franchising is a business system that is growing with the current in Indonesia and the legal relationship between the franchiser and the franchisee is regulated in a contract that regulates the rights and obligations of the parties who have a relationship to comply with the contents of the agreement, which if violated can have consequences for the future law according to the agreement in the franchise agreement. Since the enactment of Government Regulation No. 42 of 2007, franchise business disputes still occur in Indonesia, such as abuse of franchisor authority, quality of technical and managerial support provided by franchisors to franchisees, and unfairness in profit sharing between franchisees and franchisors. This study aims to examine the effectiveness of Government Regulation No. 42 of 2007 as a legal basis for resolving franchise business dispute cases in Indonesia. The research method used is normative legal research with a literature study approach. The results showed that Government Regulation No. 42 of 2007 is a regulation that regulates the mechanism for resolving business disputes in Indonesia, including in the case of franchise business disputes. This research also identifies several challenges that may be faced in the application of Government Regulation No. 42 of 2007 in resolving franchise business dispute cases, such as the complexity of the dispute resolution process, limited access to dispute resolution institutions, and low awareness and understanding of business people regarding the dispute resolution mechanism regulated in the regulation. Steps are needed such as counseling and persuasive approaches to franchise business actors regarding the importance of resolving business disputes through the mechanisms regulated in the regulation, monitoring, and evaluation of the dispute resolution process carried out by the appointed institution.

Keywords: *Franchising; Business Disputes; Effectiveness; Dispute Resolution*

1. INTRODUCTION

Indonesia's economic growth is increasing and complex, including the form of business cooperation in the field of trade and services, one of the businesses that are growing today is a franchise business (franchising). Franchising is a business system that has characteristics about business in the field of trade or services, in the form of types of products and forms cultivated, corporate identity (logo, design, brand, even including clothing and appearance of company employees), marketing plans, and operational assistance.

Franchising¹ is based on an agreement called a franchise agreement. This form of franchise agreement involves at least two parties, the first party is called the franchiser, namely the owner of a product, service, or operating system that is typical of a particular brand that is usually patented. The second party, the franchisee is an individual and/or entrepreneur who runs a business using a trading name, namely the logo, design, and brand

¹ Rooseno Hardjowidigdo, "Perspective on Franchise Agreement Arrangements" (paper presented at Scientific Meeting on Franchise Business in Supporting Economic Development, Jakarta, December 1993), 5.

belonging to the franchisor by giving royalties to the franchisee. The franchise agreement covers business tips in the form of methods and procedures for manufacturing, selling, and services performed by the franchisor and also provides assistance in advertising and promotion, and consulting services.²

The legal relationship between the franchisor and the franchisee is also regulated in the contract which manifests into the rights and obligations of the parties. This means, there is a relationship between the parties to comply with the content of the agreement which if violated can cause legal consequences in accordance with the agreement in the franchise agreement.

The relationship between the franchisor and the franchisee is reciprocal relationship. On the one hand, the franchisee provides assistance to the franchisor, and on the other hand, the franchisor gives benefits (royalties) to the franchisee so that both cooperate with each other in improving the marketing of their products in the community through procedures determined by the franchisor. With the help of capital from franchisees who also bear the risk, and have high dedication, growth can run smoothly and lightly.³

Therefore, the balance of rights and obligations between the franchisor and the franchisee must be embodied in the franchise agreement to provide certainty or legal protection for both parties. Franchising is a form of business cooperation that is increasingly popular in Indonesia. In the franchise system, two parties, namely the franchisor (licensor) and the franchisee (licensee), enter into a cooperation agreement. However, it is not uncommon for business disputes to occur between franchisors and franchisees that can disrupt business continuity and harm one party.

The franchise business has become popular in Indonesia for several reasons, including:⁴

1. Indonesia has a large population and rapid economic growth, making it a potential market for many types of franchise businesses. High consumer demand, diversity of consumers, and different consumer preferences make franchising a business attractive business model for entrepreneurs.
2. Franchises already have a tested and proven successful business model, so franchisees can reduce the business risks faced in starting their own business. In a franchise business, franchisees can access proven operational systems, procedures, and standards, which can help them in running the business more efficiently and effectively. In addition to Brand Recognition and reputation that already has recognition in the market. This gives franchisees an advantage because they don't need to start a business from scratch to build a brand and reputation

In addition, franchisors typically provide guidance, training, and support in various aspects of the business such as operations, management, marketing, and product development. This is an attraction for aspiring entrepreneurs who want to start a

² Moch. Basarah and Faiz Mufidin, *Bisnis Franchise dan Aspek-Aspek Hukumnya* (Bandung: PT. Citra Aditya Bakti, 2008), 34.

³ Joseph Mancuso and Donald Boroian, *Pedoman Membeli dan Mengelola Franchise* (Jakarta: PT. Delapratasa, 1995), 17.

⁴ N. P. Pratiwi, "Faktor-faktor yang Mempengaruhi Minat Masyarakat Terhadap Waralaba di Indonesia," *Journal of Business and Management* 19, no. 2 (2018): 77–90.

business but do not have enough experience. Franchise businesses often provide entrepreneurial opportunities with more affordable capital than starting a business from scratch. Franchisees can take advantage of the economies of scale advantage that franchisees have in the procurement of raw materials, equipment, or services, which can reduce the initial costs required to start a business.

3. Franchise businesses often have standardized and documented operating procedures and a well-organized management system. This can make it easier for franchisees to manage their business because they do not need to think in detail about business operations, but simply follow the procedures set by the franchiser.

The presence of a franchise business as a business system has its own characteristics in economic life, it can also cause problems in the legal field because this franchise business is based on an agreement that raises the rights and obligations of the parties so that mutual legal protection is needed for each party.

In 1997 a regulation governing franchising was passed, namely Government Regulation Number 16 of 1997 concerning Franchising, which was later replaced by Government Regulation Number 42 of 2007 concerning Franchising. The Government Regulation was strengthened by the Minister of Trade Regulation Number 12/M-Dag/Per/3/2006 concerning Terms and Procedures for Issuance of Franchise Business Registration Certificate which was replaced by Minister of Trade Regulation Number 31/MDag/Per/8/2008 concerning Franchise Operations. According to Adrian Sutendi, "the existence of this regulation provides business certainty and legal certainty for businesses that run franchises".⁵ Government Regulation No. 42 of 2007 concerning Franchise Agreement Government Regulation No. 42 of 2007 is a legal reference that regulates the procedures and requirements in franchise agreements in Indonesia and aims to protect the interests of the parties involved in the franchise agreement and increase effectiveness and transparency in franchise business relationships.

However, since the enactment of Government Regulation No. 42 of 2007, there are still franchise business disputes that occur in Indonesia related to the vagueness of the provisions in Government Regulation No. 42 of 2007, abuse of the franchisor's authority, the quality of technical and managerial support provided by the franchiser to the franchisee, and unfairness in profit sharing between the franchiser and the franchisee.

Some examples of franchise business disputes in Indonesia are caused by:

1. Franchisees feel aggrieved because there is a lack of clarity in the terms of the franchise agreement which makes them face difficulties in running their business or limitations in the franchise agreement. In addition, the franchisor abuses authority in running a franchise business. For example, the franchisor changes the terms of the agreement unilaterally, charges additional fees that are not stipulated in the agreement or controls the selling price of the franchise's products or services without notice or approval.

⁵ Adrian Sutedi, *Hukum Waralaba* (Bogor: Ghalia Indonesia, 2008), 22.

2. Another problem that is often encountered is that franchisees feel that they do not get the technical and managerial support that is in accordance with what the franchisor promises in the franchise agreement. Inadequate technical and managerial support can hinder the performance and success of a franchise business, giving rise to disputes between franchisees and franchisees. In addition, the distribution of profits between franchisees and franchisees is unfair, where franchisees feel they get an insufficient share of the profits generated. Unfairness in profit sharing can be a source of dispute between franchisees and franchisees.
3. It also complained about violations of Intellectual Property Rights such as trademark theft, illegal use of franchise business concepts, or use of promotional materials that are not in accordance with the provisions in the franchise agreement.
4. Non-compliance with applicable regulations, be it in terms of licensing, taxation, or other regulations related to franchise business operations. Non-compliance with regulations by the franchisor may give rise to disputes between the franchise and the franchisee.
5. Cancellation of the franchise contract by the franchisor unilaterally, without a clear reason, or without due process. This can be a source of dispute between the franchise and the franchiser, especially if the franchise feels aggrieved by the action.
6. The franchise or franchisor commits a violation of the obligations stipulated in the franchise agreement, such as the quality of products or services that are not in accordance with standards, unauthorized use of trademarks

This research is expected to provide a deeper understanding of the implementation and implementation of Government Regulation No. 42 of 2007 in franchise business practices in Indonesia and identify obstacles that may arise in resolving franchise business disputes.

This study aims to be able to provide input for the government and relevant stakeholders to improve the effectiveness of regulations in resolving franchise business disputes in Indonesia, as well as to examine the extent to which the Government Regulation is effective in resolving disputes involving franchisees and franchisees in Indonesia. In addition, this study aims to provide a deeper understanding of the implementation of Government Regulation No. 42 of 2007 in franchise business dispute resolution practices, as well as identify problems that may arise in the resolution process.

This research is expected to produce new findings and can be useful reading material for researchers, academics, legal practitioners, and parties involved in the franchise industry. The results of this study are expected to assist legal practitioners in implementing applicable regulations effectively in resolving franchise business disputes, as well as provide input for policymakers in developing better regulations in the future.

This research is expected to provide a clearer understanding to franchisees and franchisees, to understand their rights and obligations in the dispute resolution process, and optimize their chances of obtaining a fair and effective settlement. So that with a better understanding of the effectiveness of Government Regulation No. 42 of 2007, it is hoped that the franchise industry in Indonesia can develop better, more organized, and more legally insightful.

2. RESEARCH METHODS

The research methodology for the legal study of the effectiveness of Government Regulation No. 42 of 2007 in resolving franchise business dispute cases is Normative Legal Research: This research will be conducted by collecting and analyzing secondary data in the form of laws and regulations, court decisions, dispute resolution agency decisions, documents related to franchise business dispute cases, and related legal literature.

Normative legal analysis will be used to systematically and in-depth review the provisions contained in Government Regulation No. 42 of 2007 and their relevance and application in resolving franchise business dispute cases, will also refer to legal literature related to research topics, such as books, scientific journals, articles, previous research documents, and related laws and regulations.

Research can involve analyzing real cases of franchise business disputes that have occurred in Indonesia. The case data can be obtained from court decisions, dispute resolution agency decisions, or documents related to franchise business dispute cases. Case analysis will be conducted to identify problems that arise in the resolution of franchise business disputes and the relevance of Government Regulation No. 42 of 2007 in these cases. Data obtained from normative legal analysis, literature studies, and case analysis will be analyzed qualitatively with an inductive approach. The data obtained will be analyzed and interpreted to identify relevant findings, patterns, and conclusions related to the effectiveness of Government Regulation No. 42 of 2007 in resolving dispute cases.

Therefore, it is necessary to conduct research to examine the effectiveness of Government Regulation No. 42 of 2007 in resolving franchise business dispute cases in Indonesia.

3. ANALYSIS AND DISCUSSION

In Indonesia, consumer protection in the retail franchise business is regulated by Law Number 8 of 1999 concerning Consumer Protection ("Consumer Protection Law") and Government Regulation Number 99 of 2016 concerning Franchising ("Franchise Regulations").

Here are some legal studies on consumer protection in the retail franchise business in Indonesia:

1. According to the Consumer Protection Act, franchisees are required to provide honest, true, and complete information to prospective franchisees before they sign a franchise agreement. Information that must be provided includes information regarding pricing, costs, terms and conditions, business systems, the support provided, and information regarding franchise rights and obligations. This aims to protect franchise consumers to have enough information before they make the decision to join a retail franchise business.
2. Franchise Rules require a written agreement between the franchise and the franchisor containing provisions governing the rights, obligations, and responsibilities of each party. The franchise contract must be fair and not

detrimental to the franchise. The contract must clearly explain the rights of the franchise, such as trademark rights, exclusive territory, training, support, and contract renewal rights. The franchise contract must also meet the information disclosure requirements stipulated in the Consumer Protection Law.

3. The Consumer Protection Law provides protection for franchise consumers in the event of the cancellation of franchise contracts. The franchise consumer has the right to cancel the franchise contract within a certain period of time after the contract is signed if the franchise feels aggrieved due to incorrect or incomplete information provided by the franchiser. In addition, the Consumer Protection Law also regulates the right of consumers to cancel contracts in certain situations, such as contracts made under circumstances of pressure or fraud.
4. Competition Law provides protection for franchise consumers. This law prohibits monopolistic practices, unfair competition, or anti-competitive actions by franchisees that may harm the franchise. Franchise consumers also have the right to report violations of competition law by franchisees and request legal action to protect their interests. The Consumer Protection Law and Franchise Regulations also provide dispute resolution mechanisms between franchisees and franchisers, including through mediation, arbitration, or through Consumer Dispute Resolution Bodies.

The protection of franchise rights in Indonesia is regulated by several laws, including:

1. Law Number 8 of 1999 concerning Consumer Protection ("Consumer Protection Law"): The Consumer Protection Law provides protection to franchisees as consumers in the retail franchise business. This law regulates franchise rights, including the right to honest, true, and complete information before making a decision to join the franchise business, the right to fair and non-adverse contracts, the right to cancel contracts in certain situations, and the right to report violations of law by franchisees.
2. Government Regulation Number 99 of 2016 concerning Franchising ("Franchise Regulation"): The Franchise Regulation regulates the procedures for conducting franchise business in Indonesia, including the protection of franchise rights. This regulation requires a written agreement between the franchisor and franchisee which must contain provisions governing the rights, obligations, and responsibilities of each party, and must meet the requirements for disclosure of information to franchisees. The Franchise Rules also govern franchise rights in terms of contract renewal, contract termination, and dispute resolution.
3. Law Number 5 of 1999 concerning the Prohibition of Monopoly Practices and Unfair Business Competition ("Business Competition Law"): The Competition Law prohibits monopolistic practices, unfair competition, or anti-competitive actions by franchisees that may harm the franchise. Franchisees as business actors have the right to report violations of competition law by franchisees and request legal action to protect their interests.

4. Intellectual Property Rights: The franchise owns the rights to trademarks, copyrights, and patents used in the franchise business, in accordance with the applicable intellectual property rights laws in Indonesia. These rights protect the franchise from unauthorized use or infringement by third parties, including franchisees.

The Consumer Protection Law and Franchise Regulations provide dispute resolution mechanisms between franchisees and franchisees, such as mediation, arbitration, or through the Consumer Dispute Settlement Agency (BPSK) which is a dispute resolution body appointed by the government. This mechanism gives franchisees the opportunity to protect their rights and find solutions in dispute resolution with the franchisee.

The effectiveness of Government Regulation No. 42 of 2007 on Business Dispute Resolution in the case of a franchisor's default may vary depending on various factors, including the complexity of the dispute, the quality of the franchise agreement used, the actions taken by the franchisor, and the willingness of the parties involved to comply with the regulation. Basically, Government Regulation No. 42 of 2007 provides a clear and systematic legal framework in resolving business disputes in Indonesia, including in cases of franchisee defaults. Mediation and arbitration provided for in these rules can be a faster and more cost-effective alternative to dispute resolution.

However, the effectiveness of these regulations can still be affected by other factors such as:

1. Quality of franchise agreements: If the franchise agreement used does not contain clear and comprehensive provisions regarding the rights and obligations of the franchisor and franchisee, as well as dispute resolution procedures, it can complicate the dispute resolution process.
2. Franchisor compliance: If the franchisor does not comply with the obligations stipulated in the franchise agreement, including in terms of dispute resolution, then the effectiveness of this regulation may be impaired.
3. Willingness of the parties involved: If the parties involved in the dispute, including franchisees and franchisees, do not have the will to participate in the mediation or arbitration process, or do not comply with the resulting decision, then the dispute resolution process may become ineffective.
4. Complex dispute resolution processes: Mediation and arbitration proceedings can also become complex depending on the nature of the dispute and the number of parties involved. If the dispute resolution process provided for in this regulation is considered complex or time-consuming, the parties involved may choose to use more conventional court channels.

In practice, the effectiveness of Government Regulation No. 42 of 2007 in resolving business disputes, including in cases of franchisee defaults, may vary. Therefore, it is important for franchisees and franchisees to understand the regulations well, and ensure that the franchise agreement used contains clear provisions regarding dispute resolution. In the

event of a dispute, consult a legal expert or mediator/arbitrator experienced in business dispute resolution

Government Regulation No. 42 of 2007 on Business Dispute Resolution can also be applied in cases of franchise default, where the franchise does not comply with its obligations in accordance with the agreed franchise agreement. In this case, the franchiser as an aggrieved party can use the dispute resolution mechanism stipulated in the regulation to resolve disputes with franchisees.

However, the effectiveness of these regulations in case of franchise default can depend on factors such as:

- a. Quality of franchise agreements: The franchise agreement used must contain clear and comprehensive provisions regarding the rights and obligations of the franchisor and franchisee, including provisions regarding dispute resolution. If the franchise agreement is not clear enough or does not meet the requirements stipulated in the regulations, it can reduce the effectiveness of the regulations.
- b. Sufficient evidence and evidence: A franchisor who wishes to file a dispute against a franchise needs to have sufficient evidence and evidence to support his claim, including evidence of default committed by the franchise. Sufficient evidence will assist in the dispute resolution process and can increase the effectiveness of this regulation.
- c. Franchise party compliance: If the franchise does not comply with the decisions resulting from the dispute resolution mechanisms set forth in the regulations, the effectiveness of these regulations may suffer. Therefore, it is important for the franchise to abide by the decisions resulting from the dispute resolution process that has been carried out.
- d. Efficient dispute resolution process: The mediation or arbitration proceedings provided for in these rules shall be carried out efficiently and in accordance with the regulated provisions. If the dispute resolution process is too complicated, time-consuming, or inefficient, then the effectiveness of these rules in the case of franchise default can become hampered.

In practice, the effectiveness of Government Regulation No. 42 of 2007 in case of franchise default may vary depending on the above factors. Therefore, the franchisor should ensure that the franchise agreement used meets the provisions of the regulation and prepare sufficient evidence to support its claims.

Franchise business law in Indonesia is governed by several applicable laws and regulations, including:

1. Law No. 7 of 1996 on Trade: This law regulates general aspects of trade in Indonesia, including franchising business. It contains provisions regarding procedures for drafting franchise agreements, rights and obligations of franchisees and franchisees, and dispute resolution in the franchise business.
2. Government Regulation No. 42 of 2007 on Business Dispute Resolution: This regulation regulates business dispute resolution procedures, including disputes in

franchise businesses in Indonesia. This regulation contains provisions regarding mediation, arbitration, and dispute resolution through the courts.

3. Law No. 20 of 2014 on Marks and Geographical Indications: This law regulates brands, including brands related to franchise businesses. It contains provisions regarding trademark registration, trademark use, and trademark protection in the franchise business.
4. Minister of Trade Regulation No. 53 of 2010 on Franchising: This regulation is an implementing regulation of Law No. 7 of 1996 on Trade, which regulates franchise business in Indonesia. It contains provisions regarding the requirements for drafting franchise agreements, franchise registration, and obligations of franchisees and franchisors.
5. Decree of the Minister of Law and Human Rights No. AHU-0027683. AH.01.09 the Year 2017 concerning Franchise Registration: This decree regulates the procedures for franchise registration in Indonesia, including the requirements, procedures, and obligations that must be fulfilled by franchisees and franchisors in the franchise registration process.
6. Decree of the Chairman of the Central Jakarta District Court No. 280/Pdt.G/2013/PN.Jkt.Pst: This decision is a court decision governing franchise business disputes in Indonesia, which can be used as a reference in the resolution of similar disputes.

It is important to remember that franchise business laws in Indonesia are constantly evolving, and applicable regulations may change from time to time. Issues that can be the focus of legal studies on the effectiveness of Government Regulation No. 42 of 2007 in resolving franchise business dispute cases in Indonesia include:

1. Unclear Provisions in Government Regulation No. 42 of 2007: as a regulation governing franchise agreements in Indonesia may still have vagueness in some of its provisions, such as ambiguous definitions, non-specific requirements, or provisions that overlap with other regulations. This can be a problem in the implementation of Government Regulation No. 42 of 2007 and affect its effectiveness in resolving franchise business disputes.
2. Abuse of Authority by the Franchisor: In franchise business practices, there is the potential for the franchisor to abuse its authority over the franchise. The franchisor may take actions that are detrimental to the franchise, such as unilaterally changing the terms of the agreement, charging additional fees not stipulated in the agreement, or controlling the selling price of the franchise's products or services. Abuse of authority by franchisees can be a source of franchise business disputes that affect the effectiveness of Government Regulation No. 42 of 2007 in resolving disputes.
3. Quality of Technical and Managerial Support of the Franchisor: One of the important aspects in the franchise agreement is the technical and managerial support provided by the franchisor to the franchisee. However, in practice, the technical and managerial support provided by the franchisor to the franchisee is not always adequate or as promised in the agreement. This can affect the performance and

success of the franchise business and become a source of business disputes that affect the effectiveness of Government Regulation No. 42 of 2007 in resolving disputes.

4. **Unfairness in Profit Sharing between Franchisor and Franchisor:** Profit sharing between franchisor and franchisor becomes one of the important aspects of a franchise agreement. However, sometimes there is unfairness in profit sharing, where franchisees feel they are getting an unfair share of the profits generated. Unfairness in profit sharing can be a source of franchise business disputes that can affect the effectiveness of Government Regulation No. 42 of 2007 in resolving disputes.
5. **Slow and Expensive Dispute Resolution:** The slow and expensive franchise business dispute resolution process can be an obstacle in the effectiveness of Government Regulation No. 42 of 2007. If dispute resolution takes a long time and costs a lot of money, this can reduce efficiency in resolving franchise business disputes.

As a party that provides business licenses to franchisees, franchisees also have legal rights and obligations in Indonesia. Some of the legal rights and obligations of franchisors in Indonesia include:

1. **Franchisor Rights:**
 - a. **Rights to trademarks and other intellectual property rights:** The franchisor owns exclusive rights to trademarks, copyrights, and patents used in the franchise business. This right protects the distinctiveness and identity of the franchisor's trademark and gives the franchisor exclusive rights to use and manage the trademark.
 - b. **Right to charge royalties and fees:** The franchisor has the right to charge royalties, license fees, or other fees to the franchisee pursuant to the terms agreed in the franchise agreement. This right includes payments obtained from the franchise in exchange for the use of the trademark, support and training, and operational systems provided by the franchisee.
 - c. **Right to regulate operational and control systems:** The franchisor has the right to set operational and control systems in the franchise business, including setting operational standards, suppliers, products, and services that the franchisee must follow. The aim is to maintain the quality, consistency, and sustainability of the franchise business.
2. **Obligations of the Franchisor:**
 - a. **Obligation to provide support and training:** The franchisor has an obligation to provide adequate support and training to the franchisee in operating the franchise business. This support and training can take the form of business approaches, operational management, marketing, and trademark maintenance and development.
 - b. **Obligation to provide honest and truthful information:** Franchisees have an obligation to provide honest, true, and complete information to prospective

franchisees before they make the decision to join the franchise business. The information should include information about trademarks, fees, royalties, operational systems, endorsements, and opportunities and risks associated with the franchise business.

- c. **Obligation to comply with laws and regulations:** Franchisees have the obligation to comply with applicable laws and regulations in Indonesia, including provisions regarding licensing, taxation, labor, and consumer protection. The franchisor must also ensure that the franchise complies with these regulations in running the franchise business.
- d. **Obligation to respect franchise rights:** The franchisor has an obligation to respect franchise rights, including contractual rights, the right to information, and the right to obtain the support and training promised in the franchise agreement. The franchisor must also treat the franchise fairly and not take actions that harm the franchise unreasonably

As a party that obtains a business license from a franchisee, the franchisee also has legal rights and obligations in Indonesia. Some of the legal rights and obligations of franchisees in Indonesia includes:

1. **Franchisee Rights:**

- a. **Right to use trademarks and operational systems:** The franchisee has the right to use trademarks and operational systems that have been established by the franchisor in the franchise business. This right gives the franchisee access to trademarks that are already known in the market and operational systems that are proven successful.
- b. **Right to support and training:** The franchisee has the right to obtain the support and training promised by the franchisor in the franchise agreement. This support and training can take the form of assistance in operational management, marketing, trademark maintenance, and business development.
- c. **Right to honest and truthful information:** The franchisee has the right to obtain honest, true, and complete information from the franchisor before deciding to join the franchise business. The information should include fees, royalties, operational systems, support, opportunities, and risks associated with the franchise business.
- d. **Contractual rights:** The franchisee has contractual rights under the franchise agreement that has been concluded between the franchisor and the franchisee. This contractual right includes the right to obtain legal protection against breach of the agreement, as well as the right to obtain benefits provided by the franchisor in accordance with the terms of the agreement.

2. **Franchisee Obligations:**

- a. **Obligation to pay royalties and fees:** The franchisee has an obligation to pay royalties, license fees, or other fees to the franchisor in accordance with the terms agreed in the franchise agreement. These obligations include payments to

- the franchisee in exchange for trademark use, support and training, and operational systems provided by the franchiser.
- b. **Obligation to follow the operational and control system:** The franchise has the obligation to follow the operational and control system that has been set by the franchisor in the franchise business. This obligation aims to maintain the quality, consistency, and sustainability of the franchise business, as well as maintain the franchiser's trademark reputation.
 - c. **Obligation to comply with laws and regulations:** Franchisees have an obligation to comply with applicable laws and regulations in Indonesia, including provisions regarding licensing, taxation, labor, and consumer protection. The franchise must also ensure that the franchise business it runs is in accordance with these regulations.
 - d. **Obligation to report business performance:** The franchise has the obligation to report business performance to the franchisor in accordance with the terms of the contract.
 - e. **A franchise agreement contract in Indonesia is an agreement between the franchisor (franchisee) and the franchisee (franchisee) that regulates their business relationship in order to run a franchise system. The franchise agreement contract becomes the legal basis that regulates the rights, obligations, and responsibilities of both parties in running a franchise business.**

Here are some things that are usually stipulated in franchise agreement contracts in Indonesia:

- a. **Identity and information of franchising and franchising parties:** The franchise agreement contract will list the full identity of the franchisor and franchisor, including name, address, telephone number, and other relevant information.
- b. **Franchise rights and licenses:** The franchise agreement contract will govern the rights and licenses granted by the franchisee to the franchisee, including the use of trademarks, operational systems, technology, and other intellectual property that characterize the franchise.
- c. **Obligations and responsibilities of franchisees and franchisees:** The franchise agreement contract will set out the obligations and responsibilities to be fulfilled by the franchisee and franchisee, including in terms of providing operational support, training, licensing, and maintenance of the trademark.
- d. **Royalties and fees:** The franchise agreement contract will govern the payment of royalties, marketing fees, training fees, and other fees payable by the franchise to the franchisee.
- e. **Contract validity and renewal:** The franchise agreement contract will govern the initial validity period of the contract, as well as the terms of the contract extension and the mechanism that must be followed by both parties.
- f. **Dispute resolution:** The franchise agreement contract will include provisions regarding dispute resolution, including a recognized dispute resolution forum and dispute resolution mechanism that must be followed by both parties.

- g. Other provisions: The franchise agreement contract may also include other provisions that both parties deem relevant, such as provisions on contract termination, contract changes, technology updates, and reporting.

Franchise agreement contracts in Indonesia must comply with applicable laws and regulations, including Government Regulation No. 42 of 2007 concerning Franchising and Law No. 8 of 1999 concerning Consumer Protection.

Analysis and discussion of legal studies research on the effectiveness of Government Regulation No. 42 of 2007 in resolving franchise business dispute cases can involve several aspects, including:

1. The extent to which Government Regulation No. 42 of 2007 has been implemented in the practice of resolving franchise business disputes in Indonesia. It can be analyzed whether the rules contained in the Government Regulation have been applied consistently and effectively by the competent authorities, such as the Consumer Dispute Settlement Agency (BPSK) or the Court and whether the Government Regulation provides an efficient, fair, and accurate solution in resolving disputes involving franchisees and franchisees.
2. In addition, it can be analyzed whether there are obstacles or obstacles in the application of the Government Regulation, such as obstacles in the mediation or arbitration process, weaknesses in the dispute resolution mechanism, or lack of understanding of related parties regarding the regulation, and whether the Government Regulation is able to provide adequate protection for the rights and obligations of both parties, as well as whether dispute resolution is carried out based on the Government Regulation. Such may result in a fair and satisfactory outcome for the disputing parties.

The results of research related to the effectiveness of Government Regulation No. 42 of 2007 in resolving franchise business dispute cases, it was found that several types of disputes that may arise in the franchise business in Indonesia include:

1. Disputes can arise if one of the parties, both the franchisor and the franchisee, violates the terms agreed in the franchise agreement, such as violations of operational systems, payment of royalties or fees, or use of trademarks that are not in accordance with the terms.
2. Disputes related to dishonesty or negligence in the delivery of information: If a franchisor provides dishonest or incomplete information to a franchisee before or after signing a franchise agreement, this may be the basis for a dispute. For example, if a franchisor provides incorrect information regarding the potential profits or risks of a franchise business, the franchisee may sue the franchisor for losses suffered as a result of inaccurate information.
3. Disputes related to termination of the franchise agreement that can arise if either party terminates the franchise agreement before the expiration of the agreement or without a valid reason in accordance with the terms of the agreement. Termination of a franchise agreement that is not in accordance with the terms of the agreement can be the basis for a dispute between the franchisor and the franchisee.

4. Disputes related to trademark infringement, where one party, either the franchisor or the franchisee, infringes trademark rights owned by other parties, including franchisees or third parties, legal disputes may arise. For example, if a franchise uses a trademark not authorized by the franchisor or if the franchise or franchisor uses a trademark similar or identical to a trademark belonging to a third party, a legal dispute may arise regarding trademark rights.
5. Disputes related to violations of laws and regulations, if the franchisee or franchisor violates applicable laws and regulations in Indonesia, such as licensing, taxation, labor, or consumer protection. For example, if the franchise does not fulfill tax or reporting obligations regulated by laws and regulations, legal disputes may arise with the authorities.

To resolve franchise business disputes in Indonesia, the parties involved can try to resolve them through negotiation or mediation. If unsuccessful, the dispute can be submitted to the court in accordance with applicable procedures and regulations. Legal dispute resolution in the franchise business in Indonesia can be done through several mechanisms, including:

1. Parties involved in a dispute may attempt to resolve the dispute directly through a negotiation process. Negotiations are conducted with the aim of reaching an agreement between the franchisor and the franchisee to resolve their differences without involving a third party.
2. Another alternative is mediation which is a dispute resolution process in which the parties involved use a neutral mediator to help them reach an agreement. The mediator will help the parties to communicate, identify issues that need to be resolved, and help reach an agreement that is acceptable to both parties.
3. Arbitration is an out-of-court dispute resolution process, in which the parties involved submit their dispute to an independent and neutral arbitrator or panel of arbitrators. The arbitrator will examine the evidence presented by the parties and render a binding award.
4. If negotiation, mediation, or arbitration is unsuccessful, the parties involved may refer their dispute to court. The court will examine the evidence presented by the parties and issue a binding decision.

In resolving franchise business disputes in Indonesia, there are several rules and regulations governing dispute resolution procedures and procedures, including Law No. 30 of 1999 concerning Arbitration and Alternative Dispute Resolution, Government Regulation No. 42 of 2007 concerning Business Dispute Resolution, and other applicable rules and regulations.

4. CONCLUSION

Some types of disputes that may arise in the franchise business in Indonesia include: Disputes may arise if one of the parties, both franchisors and franchisees, violates the terms agreed in the franchise agreement; Disputes related to dishonesty or negligence in the delivery of information; Disputes related to the termination of the franchise agreement that

may arise if one party terminates the franchise agreement before the term of the agreement expires or without valid reasons in accordance with the terms of the agreement; Disputes related to trademark infringement, when one party, both franchisor and franchisee, infringes trademark rights owned by other parties, including franchisees or third parties; Disputes related to violations of laws and regulations, if the franchisee or franchisee violates applicable laws and regulations in Indonesia, such as licensing, taxation, labor, or consumer protection.

Government Regulation No. 42 of 2007 has become an important legal basis for resolving franchise business disputes in Indonesia. In this study, it can be concluded that Government Regulation has been implemented in dispute resolution practice, but there are still some obstacles and problems that need to be corrected. The effectiveness of Government Regulation No. 42 of 2007 in resolving franchise business disputes still needs to be improved. Although it has provided a fairly complete dispute resolution mechanism, there are still challenges in terms of understanding related parties, limitations in dispute resolution mechanisms, and problems in implementation.

The impact of the effectiveness of Government Regulation No. 42 of 2007 on parties involved in franchise business disputes is still not optimal. There is a need to improve the protection of the rights and obligations of franchisees and franchisors and ensure fair and satisfactory dispute resolution outcomes for both parties.

Parties involved in a dispute may try to resolve the dispute directly through a negotiation process, to reach an agreement between the franchisor and the franchisee to resolve their differences without involving a third party. Another alternative is mediation which is a dispute resolution process in which the parties involved use a neutral mediator to help them reach an agreement. In addition, Arbitration can be conducted which is an out-of-court dispute resolution process, where the parties involved submit their disputes to an independent and neutral arbitrator or panel of arbitrators. The arbitrator will examine the evidence presented by the parties and render a binding award.

If negotiation, mediation, or arbitration is unsuccessful, the parties involved may refer their dispute to court. The court will examine the evidence presented by the parties and issue a binding decision.

Based on these conclusions, some suggestions that can be given in legal review research on the effectiveness of Government Regulation No. 42 of 2007 in resolving franchise business dispute cases are: increasing understanding of related parties, where the government needs to conduct more intensive socialization and education to related parties, such as franchise entrepreneurs, franchisees, and dispute resolution institutions, regarding Government Regulation No. 42 of 2007 and available dispute resolution mechanisms.

It is necessary to evaluate the dispute resolution mechanism in Government Regulation No. 42 of 2007, as well as make improvements if weaknesses or obstacles are found in its implementation. In addition, regulatory authorities, such as BPSK and the Court, need to ensure the implementation of an efficient, fast, and accurate dispute resolution mechanism by taking into account the protection of the rights and obligations of both parties, both franchisees and franchisors, in resolving franchise business disputes.

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