

---

**REVIEWING FRANCHISE BUSINESS LEGAL REGULATIONS: A PERSPECTIVE ON CONSUMER  
PROTECTION AND INTELLECTUAL PROPERTY RIGHTS PROTECTION**

---

Dimas Guntur Kencono  
Fakultas Hukum, Universitas Muhammadiyah Surakarta ([C100220249@student.ums.ac.id](mailto:C100220249@student.ums.ac.id))

---

**ABSTRACT**

This article discusses the legal perspective in franchise businesses. The franchise business has become a popular business model in Indonesia, however, this business model is not free from legal problems. The author discusses a strong legal foundation related to brand protection, franchise regulations, and its relationship to employment law. Apart from that, the author also discusses the franchise business model and the obligations that must be fulfilled by the franchisor and franchisee. The author believes that from a legal perspective, franchise businesses must comply with existing regulations, including brand protection and employment rights. Openness, transparency and balanced involvement between franchisors and franchisees also need to be emphasized. Therefore, parties involved in a franchise business must understand the applicable regulations and laws to avoid legal problems in the future.

**Keywords:** Legal Perspective; Regulation; Franchise; Franchisor; Franchisee.

**INTRODUCTION**

Franchise businesses provide many benefits for franchisees, such as ease of starting a business and support from the franchisor in terms of operations, marketing and training. However, franchise businesses also require special attention in legal aspects, including consumer protection and the public interest(1). Therefore, franchise business legal regulations need to be considered to ensure that the franchise business can run well and fairly for all parties involved. In this article, we will review the legal regulation of franchise businesses from the perspective of consumer protection and public interest by referring to several related references. In this case, it is for the sake of assistance and establishing the rules of the game. One of the actions is to establish rules that will regulate the operation of this franchise. Republic Government Regulation Number 42 of 2007 is incorrect. Will remain subject to the Franchise Agreement even though it is regulated in the Republic of Indonesia Government Regulation No. 42 of 207 as a means of providing legal certainty and using the Civil Code as a legal basis. However, considering the fact that these business agreements still exist, it is likely that disputes or legal issues will arise. One of the problems, it is claimed, is a lack of understanding of the ideas and theories behind franchising. In addition, there is the potential for franchise contract obligations which are sometimes damaged or have weaknesses. From the franchisor's point of view, franchisee negligence that often occurs is carelessness in paying for goods/royales and failure to comply with the system. Another danger associated with this franchise relationship is in favor of the franchisee because they essentially act as an independent party when operating the franchise company. The concept of franchises in the business world is well known on a global scale. Even though it has only been legally regulated in Indonesian Government Policy Number 16 of 1997 dated 18 June 1997 concerning Franchising as well as the Decree of the Minister of Industry and Trade of the Republic of Indonesia Number 259/MPP/Kep/7/1997 dated 30 July 1997 concerning provisions and procedures for the Implementation of Franchise Business Registration. in 1997 then changed it to PP No. 42 of 2007, as well as Indonesian Trade Ministerial Regulation (Ministerial Regulation) Number: 31/MDAG/PER/8/2008 concerning Franchise Management(2). The purpose of writing this essay is to explore how legal protection is provided to all parties who play a role in franchise business contracts,

both franchisors and franchisees.

## RESEARCH METHODS

Research based on legal theory and statutory regulations was carried out for this article using normative legal research methods. Legal sources from secondary, primary and tertiary sources are used in this normative study.

## RESULTS AND DISCUSSION

### Legal Regulation of Parties to a Franchise Business Agreement

A franchise business agreement is an agreement that manages the relationship between the brand owner and the brand rights buyer. In these provisions, legal protection for both parties is very important to prevent abuse or violation of rights which could harm several parties or even all parties(3). From a business law perspective, the regulations governing franchise business agreements in the Republic of Indonesia are Law no. 42 of 2019 concerning Franchise Agreements. Article 10 of the Law stipulates that all parties involved in a franchise contract must comply with the rights and responsibilities agreed upon in the agreement. Apart from that, article 12 of the Law also emphasizes that every franchise agreement must contain decisions that all parties must fulfill their rights and obligations so as not to harm any of the parties.

Apart from Law no. 42 of 2019, there are also several other regulations related to legal rights in franchise businesses, including:

Trademark Law, Number 20 of 2016

1. This law regulates trademarks and legal protection for trademark owners. In a franchise business, a brand is an important asset that must be protected, so trademark holders must ensure that their trademark is legally registered and protected by law.

Business Competition Law, Number 5 of 1999

2. This law regulates healthy and fair business competition. In a franchise business, each party must ensure that there is no violation of healthy and fair business competition.

Copyright Law, Number 28 of 2014

3. This law regulates copyright and legal protection for copyright holders. In a franchise business, copyright can be related to systems or technology owned by the franchisor, so copyright owners must ensure that their copyright is legally registered and protected by law.

In a franchise business agreement, several things that need to be considered to ensure legal protection for the parties involved are:

1. The validity period of the agreement is clear and not too short or too long.
2. Provisions regarding termination of the agreement are clear and do not harm either party.
3. Provisions regarding dispute resolution between the two parties.

The provisions of Article 15 paragraph (2) of Law no. 42 of 1999 regulates that the Franchisor's obligation is to provide assistance to the Franchisee during the duration of the franchise agreement. This assistance includes training, supervision, provision of equipment, raw materials and product sales. Franchisors are also required to provide sufficient and clear information regarding the products or services that are the object of the franchise.

However, keep in mind that the rights and obligations in a franchise agreement may vary depending on the terms of the agreement. Therefore, it is important for all parties involved to properly understand the contents of the agreement to be signed and ensure that the agreement is fair for both parties.

Apart from that, there are also several articles in Law no. 20 of 2016 concerning Brands and Geographical Indications relating to the legal protection of brands in franchise businesses. Article 78 states that registration of marks used in a franchise must be carried out in the name of the franchisor and

may not be in the name of the franchisee. This is to ensure that the brand used in the franchise does not become the property of the franchisee, but remains the property of the franchisor.

Article 81 states that the franchisor is obliged to guarantee the authenticity and correctness of the brand used in the franchise. If there is a claim or demand for the brand, the franchisor is responsible for resolving the claim or demand.

From a business law perspective, legal protection rights between parties in a franchise business agreement are very important. This aims to ensure that disputes between the franchisor and franchisee can be resolved, as well as ensuring that the rights and obligations of both parties are fulfilled properly. Therefore, both parties need to properly understand the contents of the agreement to be signed and ensure that the agreement is fair and profitable for both parties.

#### **Legal Protection of Intellectual Property Rights in Indonesia**

Intellectual property rights are property rights resulting from someone's efforts, production, thoughts or intelligence. They are also referred to as immaterial property rights. Industrial property and copyright are two categories of general intellectual property rights. Patents and trademark rights together constitute industrial property rights(4).

A brand is a sign used in commercial activities or services for identification purposes, and may take the form of a symbol, name, word, letter, number, mixture of colors, or a combination of these elements(5). Once a brand is registered in the General Register of Trademarks, its owner obtains the exclusive right to use the brand for a certain period. The owner can use the mark for his own purposes or give permission to other parties to use it(6). Therefore, the franchise owner who has the rights to the brand has the right to use the brand himself or allow other companies (franchisees) to use it. In Indonesia, Intellectual Property Rights are regulated in various laws and regulations, including:

1. Law no. 13 of 2016 concerning Patents;
2. Law no. 20 of 2016 concerning Brands and Geographical Indications;
3. Law no. 28 of 2014 concerning Copyright;
4. Law no. 31 of 2000 concerning Industrial Design;
5. Law no. 30 of 2000 concerning Trade Secrets.

In a franchise business, IPR becomes very important because trademarks and trade secrets are the main assets for franchise holders. Therefore, there needs to be adequate legal protection to prevent piracy and illegal use by other parties.

Articles related to IPR protection in franchise businesses include:

1. Article 13 Law no. 20 of 2016 concerning Trademarks and Geographical Indications, which regulates the exclusive rights of trademark holders to use and prohibit other parties from using the mark without permission.
  2. Article 20 Law no. 20 of 2016 concerning Marks and Geographical Indications, which gives legal force to trademark license agreements between brand holders and other parties.
  3. Article 42 of Law no. 28 of 2014 concerning Copyright, which regulates the exclusive right of creators to use and reproduce their creations and prohibits other parties from carrying out actions that violate these rights.
  4. Article 113 Law no. 13 of 2016 concerning Patents, which gives patent holders exclusive rights to control and utilize patented inventions or technological development results.
  5. Article 18 Law no. 31 of 2000 concerning Industrial Designs, which regulates the exclusive rights of industrial design holders to use and prohibit other parties from using the design without permission.
- In practice, franchisees can also add IPR protection provisions to the franchise agreement, such as the franchisee's obligation to maintain the confidentiality of information and actions that could harm the trademark. With adequate legal protection regarding IPR, the hope is that franchise businesses can grow successfully and provide mutually beneficial benefits for all parties involved.

## CONCLUSION

Franchise business or franchising is a form of business that is now in great demand by the public. In this business, the party providing the license or franchise gives other parties the right to use a particular trademark or product in exchange for payment of royalties or franchise fees. Even though a franchise business has many advantages, there are risks that must be considered, one of which is legal risk. Therefore, franchise businesses must be based on a strong legal perspective so as not to fall into potentially detrimental legal problems. Legally, the franchise industry is regulated by a number of laws and regulations that serve to protect franchisors and franchisees. The main legislative framework that regulates franchise operations in Indonesia is Law Number 16 of 1997 concerning Franchising. This law outlines the expectations and requirements that must be met by all parties to a franchise transaction. Apart from this law, there are also government regulations and ministerial regulations that regulate aspects of the franchise business, such as Government Regulation Number 42 of 2007 concerning Franchising and Minister of Trade Regulation Number 31/M-DAG/PER/8/2008 concerning Franchises. This regulation provides more detailed guidelines regarding the matters that must be fulfilled in running a franchise business. In a franchise business, it is important to pay attention to trademark protection. A trademark is an identity or characteristic of a product or service that differentiates it from other products or services. Trademark protection is very important to avoid trademark piracy by unauthorized parties. Trademark protection can be done through trademark registration at the Directorate General of Intellectual Property, Ministry of Law and Human Rights. In running a franchise business, the franchisee must also pay attention to aspects of employment law. The franchisee must ensure that the employees hired meet the requirements and their rights are protected by applicable laws and regulations. Apart from that, the franchisee must also understand the obligations that must be fulfilled in the working relationship with employees. From a legal perspective, franchising has the potential to significantly improve the economic and social conditions of society, but it also has risks that need to be watched out for. Therefore, franchise business owners need to understand and comply with applicable laws and regulations to maintain the continuity of their business and provide trust to stakeholders, including workers, consumers and other related parties. Overall, franchise business is a form of business that continues to grow and has great potential to contribute to the Indonesian economy. However, Franchise business management must be carried out professionally and pay attention to related legal aspects, especially in terms of brand protection, the obligations of the franchise business owner towards employees and consumers, as well as the rules in applicable regulations. In this case, the role of the government and related institutions is very important in providing adequate supervision and regulation, so that franchise businesses can run healthily and provide benefits for all parties involved.

## REFERENCES

1. Dzulquy S. BISNIS WARALABA DALAM PERSPEKTIF HUKUM EKONOMI SYARI'AH.
2. Baharun H, Niswa H. Syariah Branding; Komodifikasi Agama Dalam Bisnis Waralaba Di Era Revolusi Industri 4.0. *INFERENSI: Jurnal Penelitian Sosial Keagamaan*. 2019 Jul 20;13(1):75–98.
3. Prasmita P, Gusti SI, Parwata N. PERLINDUNGAN HUKUM PARA PIHAK DALAM PERJANJIAN BISNIS FRANCHISE.
4. Aidi Z, Farida H, Soedarto J. PERLINDUNGAN HUKUM PARA PIHAK DALAM PERJANJIAN WARALABA MAKANAN \*.
5. Studi P, Kenotariatan M, Santoso B. PERLINDUNGAN HUKUM HAKI DALAM PERJANJIAN WARALABA TESIS Disusun Untuk Memenuhi Persyaratan Memperoleh Derajat S2. 2010.
6. Prasmita P, Gusti SI, Parwata N. PERLINDUNGAN HUKUM PARA PIHAK DALAM PERJANJIAN BISNIS FRANCHISE.