

Legal Protection for the Recipient of the Franchise of "MAKJON" Pioneer of Martabak Japan"

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ABSTRACT

The franchise agreement raises a problem, this is a default committed by the franchisor due to the change of employees at the head office, the central franchisor begins to give a slow response until finally ignoring the message of the franchisee. This action hinders the sales process, due to the depletion of raw material inventory. The research method used is normative juridical research using legislative and conceptual approaches. The results of this research are a form of legal protection for franchisees when there is a default in Government Regulation number 42 of 2007 and Regulation of the Minister of Trade number 71 of 2019, namely there is a clause regarding the rights and obligations of the parties to settlement efforts that can be carried out by the franchisee, namely using the principle of out-of-court dispute resolution or non-litigation settlement. By way of deliberation to reach consensus or mediate. If the dispute resolution outside the court cannot be successful, then the parties can carry out the dispute resolution process through the court.

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1. INTRODUCTION

The development of the business world in Indonesia has encouraged the birth of various business models that are considered more practical, efficient, and have a chance of faster success. One of the business models that is widely used is franchising. Through this system, one does not have to build a business from scratch, but can run a business using the brand, operational system, product standards, and business support from the franchisor. For beginner business actors, franchising is often seen as a middle ground between the desire to have an independent business and the need for a business system that is already known to the market.

Franchising is basically a legal relationship born from an agreement between the franchisor and the franchisee. In such a relationship, the franchisor grants the franchisor the right to use intellectual property, business characteristics, business systems, and certain operational support in accordance with the agreement of the parties. Franchise is also understood as a form of agreement that gives the right to another party to utilize or use intellectual property rights in carrying out business based on an agreed agreement (Alfian, Handayani, & Sahban, t.t.: 4). Thus, franchising is not only a business relationship, but also a legal relationship that gives rise to rights and obligations for the parties.

In practice, franchise businesses offer a number of advantages. For franchisees, this system allows businesses to run with brands, products, and operational patterns that are already available. Franchisees don't need to build a business identity completely from scratch. Meanwhile, for franchisors, this system is a means of business development using other parties' capital, so that business expansion can be carried out without the entire investment burden being borne by the parent company. However, these advantages do not eliminate the possibility of legal problems, especially when the relationship between the parties is outlined in a standard contract that is more determined by the franchisor.

Franchise agreements have a very important position because they are the basis of the legal relationship between the franchisor and the franchisee. Regulation of the Minister of Trade Number 71 of 2019 concerning Franchise Implementation emphasizes that a franchise agreement is a written agreement between the franchisor and the franchisee. The agreement should contain clear arrangements regarding the rights and obligations of the parties, operational assistance, business area, term, payment procedures, dispute resolution, and the mechanism for extending or terminating the agreement as stipulated in Article 5 of Government Regulation Number 42 of 2007 concerning Franchising.

The problem arises when the franchise agreement is drafted in the form of a standard contract. In a standard contract, the main terms are usually prepared in advance by one party, so the other party only has the option to accept or reject. Salim H.S. explained that a standard contract is a contract that has been determined and outlined in the form of a form (Salim H.S., 2007: 145). In the context of franchising, this circumstance can put the franchisee in a weaker bargaining position. The franchisee often does not have adequate space to negotiate the content of the agreement, even though the agreement will determine the continuity of the business.

An imbalance in the position of the parties in the franchise agreement can cause losses if one of the parties does not carry out its obligations. This can be seen in the franchise agreement of Makjon: Pioneer Martabak Japan with the Pasuruan branch. In the agreement, the franchisee is required to purchase certain raw materials from the company. This obligation is regulated in Article 4 of the Makjon franchise agreement. On the other hand, Article 12 paragraph (5) of the agreement prohibits the franchisee from purchasing central raw materials other than the first party that has been agreed in the contract. This prohibition makes the franchisee completely dependent on the franchisor in the fulfillment of raw materials.

Legal problems arise when the franchisor does not provide an adequate response to the request to purchase raw materials from the franchisee. After the change of the person in charge on the franchisor's side, communication regarding the ordering of raw materials became slow and did not even get a settlement. As a result, franchisees run out of raw materials and are unable to carry out sales activities. At the same time, the franchisee also cannot purchase substitute materials from other parties because such actions are prohibited in the agreement and can be subject to sanctions. This situation shows that there is a high dependence between the continuity of the franchisee's business and the implementation of the franchisee's obligations.

In the law of the agreement, the non-fulfillment of obligations as agreed can be qualified as default. Default occurs when one of the parties does not perform the achievement, performs the achievement but does not perform it as it should, is late in performing the performance, or does something prohibited in the agreement (Subekti in Mokorimban & Hermanus, 2018: 6). In the case of the Pasuruan branch of Majon, the franchisor's actions of not responding and not providing raw materials as needed by the franchisee have the potential to qualify as default because they hinder the implementation of the franchisee's business and cause losses.

Legal protection for franchisees is important because franchisees are in a vulnerable position. On the one hand, the franchisor is bound by the obligation to comply with the systems, standards, and provisions of the raw materials of the franchisor. On the other hand, the franchisee also bears the risk of loss if the franchisor does not carry out its obligations properly. Moch. Isnaeni distinguishes legal protection into internal legal protection and external legal protection (Isnaeni, 2016: 159–160). Internal legal protection is

born from the content of the agreement agreed upon by the parties, while external legal protection comes from laws and regulations made by the state to provide certainty and legal balance.

Based on this description, research on legal protection for franchisees in the Makjon: Pioneer of Japanese Martabak agreement is relevant to be conducted. This research is important because it concerns the relationship between the freedom of contract, the bargaining position of the parties, the obligation to fulfill raw materials, and the legal consequences if the franchisor does not carry out his achievements. In addition, this research also needs to examine dispute resolution efforts that can be taken by franchisees, either through deliberation, mediation, alternative dispute resolution, or litigation channels if settlement outside of court is unsuccessful.

Thus, the main focus of this paper is to analyze the form of legal protection for franchisees when franchisees are suspected of defaulting in the provision of raw materials, as well as to examine the legal remedies that can be taken by franchisees to obtain the fulfillment of rights and compensation. This study is expected to provide a clearer understanding of the importance of balancing rights and obligations in franchise agreements, while emphasizing that franchise agreements should not only benefit parties with stronger bargaining positions.

2. METHODS

This research uses a normative juridical research method, namely legal research that focuses on the study of positive legal norms, legal principles, legal doctrines, and the provisions of laws and regulations relevant to the problem being studied. Normative juridical research is used to obtain a proper understanding of the application of legal principles to the legal relationship between franchisors and franchisees in franchise agreements Makjon: Pioneers of Japanese Martabak. In normative legal research, legal norms are positioned as a measure to assess whether an act or legal relationship is in accordance with the applicable legal provisions (Efendi & Ibrahim, 2018: 124).

The approaches used in this study are a legislative approach and a conceptual approach. The legislative approach is carried out by examining various regulations related to franchises, agreements, defaults, legal protection, and dispute resolution. Some of the legal provisions that are the basis for the analysis include the Civil Code, Government Regulation Number 42 of 2007 concerning Franchising, Regulation of the Minister of Trade Number 71 of 2019 concerning the Implementation of Franchises, and Law Number 30 of 1999 concerning Arbitration and Alternative Dispute Resolution. These provisions are used to assess the legal position of the parties, obligations in the agreement, forms of default, and dispute resolution efforts that can be taken by the franchisee.

The conceptual approach is used to understand legal concepts related to legal protection, standard contracts, the principle of freedom of contract, the principle of good faith, default, and alternative dispute resolution. This approach is important because the issue in the franchise agreement is not only related to the existence or absence of written regulations, but also concerns the balance of the position of the parties in the contractual relationship. Through a conceptual approach, this study can explain how franchisees as parties with weaker bargaining positions still receive legal protection when franchisors do not carry out their obligations.

The legal materials used in this study consist of primary legal materials and secondary legal materials. Primary legal materials include laws and regulations directly related to franchise agreements, contract law, defaults, and dispute resolution. The primary legal materials include the Civil Code, Government Regulation Number 42 of 2007 concerning Franchising, Regulation of the Minister of Trade Number 71 of 2019 concerning the Implementation of Franchises, and Law Number 30 of 1999 concerning Arbitration and Alternative Dispute Resolution. In addition, this study also uses the Makjon: Pioneer of Japanese Martabak franchise agreement documents as the main study material to see concretely the rights and obligations of the parties.

Secondary legal materials are obtained from law books, scientific journals, research results, and expert opinions related to treaty law, franchise law, legal protection, default, and dispute resolution. Secondary legal materials are used to strengthen the analysis of legal problems that arise in the

relationship between the franchisor and the franchisee. Meanwhile, tertiary legal materials can be used as supporting materials, such as legal dictionaries or language dictionaries, as long as they are necessary to clarify the terms used in the research.

The technique of collecting legal materials is carried out through literature studies. Literature studies are carried out by searching, reading, recording, and reviewing legal materials relevant to the research problem. These legal materials are then classified based on the legal issues studied, namely legal protection for franchisees, obligations to provide raw materials in franchise agreements, forms of default committed by franchisors, and dispute resolution efforts that can be pursued by franchisees.

The legal material analysis technique in this study was carried out qualitatively using the prescriptive-analytical method. Qualitative analysis is used to interpret the legal materials that have been collected, then relate them to the legal facts in the franchise agreement of Makjon: Pioneers of Japanese Martabak. Meanwhile, prescriptive nature is used to provide arguments about the form of legal protection that should be given to the franchisee and legal remedies that can be taken if the franchisor commits a default. Thus, this study not only explains the applicable legal rules, but also provides a legal assessment of the actions of franchisors who do not fulfill their obligations in providing raw materials as agreed in the agreement.

3. FINDINGS AND DISCUSSION

Legal Protection for Franchisees for the Provision of Raw Materials in Makjon Franchise Agreements

The legal relationship between the franchisor and the franchisee in the Makjon: Pioneer Martabak Japanese business was born from the existence of a franchise agreement. The agreement is the main basis that binds the parties in exercising their respective rights and obligations. In this context, the franchisor is positioned as the party that provides the right to use the brand, business system, product standards, and operational support, while the franchisee is positioned as the party that runs the business based on the system that has been determined by the franchisor.

Makjon: Pioneer of Japanese Martabak is a food business founded by PT Nova Starlight Indonesia and engaged in the sale of Japanese martabak products and several other food products. In the franchise relationship, the franchisee obtains the right to run Makjon's business based on the business package that has been offered by the franchisor. The package includes business supplies, training, online courier service registration support, marketing support, initial raw materials, and licensing fees for a certain period of time.

Legal problems arise when the provisions in the agreement require the franchisee to purchase certain raw materials only from the franchisor. In Article 4 of the Makjon Franchise Agreement, it is stated that the second party, namely the franchisee, is required to purchase mandatory raw materials from the company. These raw materials include Japanese martabak flour, special sauces, nori, katsuobushi, chili powder, Makjon cardboard, and gyoza. This provision shows that the business continuity of the franchisee is highly dependent on the availability of raw materials from the franchisor.

This dependence is even stronger because Article 12 paragraph (5) of the Makjon Franchise Agreement prohibits the franchisee from buying central raw materials other than the first party that has been agreed in the contract. This means that the franchisee does not have the flexibility to look for substitute raw materials from other parties, even in urgent circumstances. If the franchisee continues to purchase raw materials from an outside party, the action can be considered a gross violation of the agreement. Thus, this clause puts the franchisor in a position to be highly dependent on the active actions of the franchisor.

At the beginning of the implementation of the agreement, the franchisor still gave a good response to the raw material needs of the franchisees. However, after the change of the person in charge at the head office, communication between the franchisee and the franchisor began to experience obstacles. The franchisee made several follow-ups regarding the order of raw materials, but the franchisor did

not immediately provide a response, explanation, or solution. As a result, the supply of raw materials was exhausted and sales activities at the Makjon Pasuruan branch were hampered.

This situation shows that the legal problem in the franchise agreement does not only lie in the content of the agreement clause, but also in the implementation of obligations after the agreement is signed. Franchise agreements do give franchisors the right to maintain product standards through the regulation of raw materials. However, if the franchisor requires the franchisee to buy raw materials only from the center, then the franchisor is also obliged to ensure the availability and smooth supply of these raw materials. Such obligations are a logical consequence of the restrictions imposed on the franchisee.

Legal protection for franchisees in such circumstances can be seen in two forms, namely internal legal protection and external legal protection. Moch. Isnaeni differentiated legal protection into internal legal protection and external legal protection. Internal legal protection is born from agreements made by the parties, while external legal protection is born from laws and regulations made by the state to protect the weaker parties (Isnaeni, 2016: 159–160).

The internal legal protection in this case comes from the Makjon Franchise Agreement itself. The agreement contains the rights and obligations of the parties, including the obligation of the franchisee to purchase raw materials from the franchisor. However, the clause must be read in a balanced manner. If the franchisee is required to purchase raw materials only from the franchisor, then the franchisor is obliged to provide raw materials in a decent, timely, and communicative manner. Without the implementation of these obligations, the raw material clause can actually be detrimental to the franchisee because the franchisee cannot run a business and cannot find alternative raw materials.

Makjon Franchise Agreements can also be categorized as standard contracts because the content of the agreement has generally been determined in advance by the franchisor. In a standard contract, the franchisee usually does not have ample room to negotiate the content of the agreement. Salim H.S. stated that a standard contract is a contract that has been determined and stated in the form of a form (Salim H.S., 2007: 145). In such circumstances, the franchisor is in a weaker bargaining position because he can only accept or reject the agreement that has been drawn up by the franchisor.

This imbalance in the bargaining position is an important reason why legal protection for franchisees needs to be affirmed. Theoretically, an agreement does apply as a law to the parties who make it. However, the principle of freedom of contract should not be interpreted as absolute freedom for the stronger party to formulate clauses that give rise to unilateral dependence. A permanent agreement should be executed on the basis of propriety, balance, and good faith.

External legal protection for franchisees is sourced from Government Regulation Number 42 of 2007 concerning Franchises and Regulation of the Minister of Trade Number 71 of 2019 concerning Franchise Administration. Article 5 of Government Regulation Number 42 of 2007 stipulates that the franchise agreement must at least contain the names and addresses of the parties, types of intellectual property rights, business activities, rights and obligations of the parties, assistance and facilities, business area, agreement period, compensation payment procedures, dispute resolution, as well as procedures for renewal, termination, and termination of agreements. This provision shows that the franchise agreement must not only contain the obligations of the franchisee, but must also clearly guarantee the rights of the franchisee.

Thus, legal protection for the franchisee of Makjon Pasuruan branch is not enough just to see the existence of a written agreement. Legal protection must be seen from whether the agreement is implemented in a fair and balanced manner. When the franchisor does not respond to the order of raw materials, while the franchisor is prohibited from purchasing raw materials from other parties, then the franchisor is in a disadvantaged position. In this situation, the legal protection that deserves to be given to the franchisee is the re-fulfillment of their rights, the provision of a clear explanation of the continuation of the supply of raw materials, the improvement of communication mechanisms, and the possibility of compensation if the loss has actually occurred.

Franchisor's Default in the Provision of Raw Materials

Default is a situation when one of the parties to the agreement does not fulfill the obligations as agreed. In the law of the covenant, achievement can be in the form of an obligation to give something, to do something, or not to do something. If these obligations are not performed, performed not as they should, are performed late, or are violated, then the negligent party can be qualified to commit default.

According to R. Subekti, the form of default can include four circumstances, namely not doing what it is willing to do, carrying out what is promised but not as promised, doing what is promised but is late, or doing something that according to the agreement is not allowed to be done (Subekti in Mokorimban & Hermanus, 2018: 6). Based on this view, the actions of the Makjon franchisee who did not respond and did not provide raw materials to the franchisee can be analyzed as a form of non-performance of obligations in the agreement.

To determine whether or not there is a default, it is necessary to look at several elements. First, there is a valid agreement. In the case of the Pasuruan branch of Makjon, the franchise agreement has been made in writing and agreed upon by the parties. The agreement fulfills the basic elements of the agreement because there is agreement of the parties, the competence of the parties, certain objects, and halal causes as stipulated in Article 1320 of the Civil Code. The object of the agreement is the cooperation of the Makjon franchise, while the purpose of the agreement is to carry out a business to obtain profits legally.

Second, there are obligations that must be fulfilled. In the context of providing raw materials, franchisees are indeed required to buy raw materials from franchisors. However, the obligations of the franchisee give rise to a reciprocal obligation for the franchisor to provide the required raw materials. If the franchisor does not provide raw materials, then the franchise system cannot run as it should. In franchise relationships, the smooth supply of raw materials is an important part of the implementation of achievements because the products sold must follow the standards of the franchisor.

Third, there is negligence or error. In Makjon's case, the franchisor did not immediately respond to the request for the purchase of raw materials from the franchisee. The franchisee has followed up, but has not obtained adequate answers and solutions. This omission is important because the franchisor knew or should have known that without raw materials, the franchisee could not carry out sales activities. Moreover, the franchisee also cannot buy substitute raw materials from other parties because it is prohibited by the agreement.

Fourth, there are losses. The loss in this case arose because the Makjon Pasuruan branch could not run sales due to the exhaustion of raw materials. These losses are not only in the form of the cessation of business activities, but also the loss of potential income that should be obtained by the franchisee. In addition, the franchisee is also in an uncertain situation because it does not obtain clear information regarding the continuation of the supply of raw materials from the franchisor.

Based on these elements, the actions of franchisors who do not respond to the purchase of raw materials and do not provide solutions can be categorized as default. The franchisor does not carry out the obligations that are substantially necessary for the franchisee to be able to run the business. In this case, the default is not only seen from the non-delivery of raw materials, but also from the absence of proper communication and settlement from the franchisor.

The legal consequence of default is that the aggrieved party has the right to demand the fulfillment of the agreement, cancellation of the agreement, or compensation. Compensation in civil law can include costs, losses, and interest as stipulated in Article 1246 of the Civil Code. Costs are expenses that have been incurred, losses are real losses suffered, while interest is a profit that should be obtained if default does not occur (Karaniya et al., 2024: 557).

In the case of Makjon, the franchisee can demand the fulfillment of obligations in the form of delivery of raw materials and improvements to the ordering service mechanism. If the fulfillment of obligations is no longer possible or the business relationship cannot be continued properly, the franchisee may request the cancellation of the agreement along with compensation. The compensation

can be based on losses due to sales stoppages, ongoing operational costs, and potential lost profits due to the unavailability of raw materials.

However, the claim for damages must still be clearly proven. The franchisee needs to show the existence of a valid agreement, the obligation of the franchisor to provide raw materials, the existence of a request or order for raw materials, the negligence of the franchisor in responding to or fulfilling the order, and the existence of losses arising directly from such negligence. With sufficient proof, the legal position of the franchisee will be stronger in demanding the fulfillment of his rights.

Dispute Resolution Efforts for Franchisees

The dispute in the Makjon franchise agreement occurred because the franchisor did not respond to the request to purchase raw materials from the franchisee. This situation causes losses because the franchisee cannot make sales, while the agreement prohibits the franchisee from buying raw materials from other parties. Therefore, the franchisee needs a settlement mechanism that not only resolves disputes formally, but is also able to recover losses and provide certainty regarding the continuation of the business relationship.

In Article 15 of the Makjon Franchise Agreement, it is stated that if there is a dispute between the parties, the dispute will be resolved first by deliberation. If the deliberation is unsuccessful, the parties choose a permanent legal domicile at the Yogyakarta or Bantul District Court. This clause indicates that the settlement of disputes desired by the parties at an early stage is a peaceful settlement, while litigation is placed as a follow-up effort if the deliberation does not reach a result.

Deliberation is a proper first step in a franchise dispute because the relationship between the franchisor and the franchisee is essentially a business relationship that is still possible to be restored. Through deliberation, the franchisee can ask for an explanation about the cause of the unavailability of raw materials, ask for certainty of the delivery schedule, ask for compensation for losses, or negotiate a change in the clause so that the franchisee can buy replacement raw materials under certain circumstances. Deliberation settlement is also in line with the character of business disputes that require speed, confidentiality, and sustainability of business relationships.

If the deliberation is unsuccessful, dispute resolution can be continued through alternative dispute resolution. Law Number 30 of 1999 concerning Arbitration and Alternative Dispute Resolution recognizes out-of-court dispute resolution through consultation, negotiation, mediation, conciliation, or expert judgment. Alternative dispute resolution is generally considered easier, faster, and collaborative because it involves the parties to understand each other's interests (Chrishans, 2023: 438).

Mediation can be a relevant option in this dispute. In mediation, the parties are assisted by a neutral mediator to find a solution. The mediator is not authorized to decide the case, but helps the parties formulate a mutually acceptable agreement. Mediation is suitable for use in franchise disputes because it allows the parties to find a win-win solution, for example, the franchisor maintains raw material standards, while the franchisee obtains certainty of supply and compensation for delays that occur.

In addition to mediation, negotiations can also be used because the parties can negotiate directly without involving a third party. In negotiations, the franchisee can make concrete demands, such as the delivery of raw materials within a certain period of time, the elimination of sanctions if the franchisee has to buy replacement raw materials due to urgent circumstances, changes in the raw material ordering procedure, or the provision of compensation for the stalled business period. Negotiations will be effective if the franchisor has good faith to solve the problem.

Conciliation and expert judgment can also be used if the dispute requires a third party's opinion. Conciliation involves a conciliator who helps bring together the interests of the parties and provides proposed solutions. Meanwhile, expert judgment can be used if the dispute requires a technical explanation, for example regarding raw material standards, the feasibility of substitutes, or the impact of supply delays on business operations. Gunawan Widjaja explained that conciliation is basically an effort to bring together the wishes of the disputing parties to achieve a settlement (Widjaja, 2001: 3).

Arbitration can also be an alternative if the parties want a more formal out-of-court settlement and result in a binding award. Article 1 paragraph (1) of Law Number 30 of 1999 states that arbitration is the settlement of civil disputes outside the general court based on a written arbitration agreement. Settlement through arbitration has the advantage of being more closed, providing space for the parties to choose arbitrators, and relatively maintaining the confidentiality of business disputes (Winarta, 2012: 36). However, arbitration can only be pursued if there is a written arbitration agreement or agreement of the parties to resolve the dispute through arbitration.

If the out-of-court settlement attempt is unsuccessful, the franchisee can take the litigation route through the court as stipulated in Article 15 of the Makjon Franchise Agreement. The litigation route has advantages because court decisions are binding, have executory power, and can provide legal certainty. However, litigation also has its drawbacks because the process is relatively long, open to the public, and can lead to increasingly confrontational relationships between the parties. Therefore, in franchise disputes, litigation should be placed as a last resort after unsuccessful deliberation, negotiation, or mediation.

Based on this analysis, the most appropriate legal remedy for the franchisee of Makjon Pasuruan branch is to start a settlement through deliberation or negotiation with clear and measurable demands. These demands can be in the form of fulfilling the delivery of raw materials, improving the order communication system, providing compensation for losses due to the cessation of sales, and changing clauses that allow the purchase of replacement raw materials under certain circumstances. If the deliberation is unsuccessful, mediation can be pursued to obtain a more balanced agreement. Litigation can be used as a last resort if the franchisor still fails to meet its obligations and the franchisee suffers real losses.

Thus, the results of the discussion show that the legal protection of the franchisee in the Makjon agreement does not only come from the existence of a written agreement, but also from the obligation of the parties to implement the agreement in a balanced and good faith manner. Franchisors who require franchisees to buy raw materials only from the center must be responsible for ensuring the availability of these raw materials. If these obligations are not fulfilled and result in losses for the franchisee, the franchisee has the right to demand the fulfillment of the agreement, cancellation of the agreement, or compensation through the agreed dispute resolution mechanism.

4. CONCLUSION

Based on the results of the discussion, it can be concluded that the legal protection for franchisees in the Makjon: Pioneer of Japanese Martabak agreement consists of internal legal protection and external legal protection. Internal legal protection comes from the franchise agreement that has been agreed upon by the parties, especially the clauses regarding the rights and obligations of the franchisor and the franchisee. However, this protection is not enough only to see the existence of a written agreement, but also from the implementation of the agreement in a balanced and good faith manner. When the franchisee is required to purchase raw materials only from the franchisor, the franchisor also has an obligation to ensure the availability of raw materials in a decent, timely, and communicative manner.

External legal protection is sourced from the provisions of laws and regulations, especially Government Regulation Number 42 of 2007 concerning Franchise and Regulation of the Minister of Trade Number 71 of 2019 concerning the Implementation of Franchises. Both rules emphasize the importance of regulating the rights and obligations of the parties in the franchise agreement, including a dispute resolution mechanism in the event of a violation. In this context, the franchisee as a party with a weaker bargaining position needs to obtain legal protection so as not to be disadvantaged by standard contract clauses that limit their space to move in running a business.

The actions of the Makjon franchisee that does not respond to the request to purchase raw materials from the franchisee can be qualified as a default if it is proven that it does not fulfill the obligations that have been agreed in the agreement. The default can be seen from the existence of a

valid agreement, the obligation of the franchisor to support the smooth supply of raw materials, negligence in responding to the needs of the franchisee, and the occurrence of losses due to sales activities that cannot run. This situation is even more detrimental to the franchisee because the agreement prohibits the purchase of raw materials from other parties, so the franchisee has no alternative to continue running his business.

Dispute resolution efforts that can be taken by the franchisee should begin through deliberation or negotiation as stipulated in the agreement. Through this mechanism, franchisees can request the fulfillment of obligations, certainty of raw material supply, improvement of communication systems, and compensation for losses incurred. If the deliberation is unsuccessful, the settlement can be continued through mediation or other alternative dispute resolution that is faster, more efficient, and maintains the business relationship of the parties. The litigation route through the courts can be taken as a last resort if an out-of-court settlement is not reached.

Thus, a franchise agreement should not only be understood as an instrument of business cooperation, but also as an instrument of legal protection for the parties. In franchise relationships, the franchisor who sets standards and limits the source of raw materials must be responsible for the smooth running of the business system run by the franchisee. If these obligations are not fulfilled and cause losses, the franchisee has the right to demand the fulfillment of the agreement, cancellation of the agreement, or compensation in accordance with the applicable legal provisions.

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