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Franchise Agreement as Legal Protection For Franchise Business Actors In Indonesia

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ABSTRACT

Franchise agreements play an important role in providing legal protection for franchise business actors in Indonesia, both for franchisors and franchisees. This study aims to analyze the effectiveness of franchise agreements in protecting the rights and obligations of the parties and identify potential legal problems that arise in their implementation. The approach used is normative juridical, with an analysis of related laws and regulations, such as Government Regulation No. 42 of 2007 concerning Franchises, as well as franchise agreement documents from various business sectors. The results of the study show that franchise agreements that are drafted by fulfilling the legal principles of the agreement, such as legal certainty, fairness, and balance, are able to provide adequate legal protection for both parties. However, there are still challenges in implementation, including inconsistencies in the content of the agreement with regulations, lack of understanding of legal aspects by business actors, and weak supervision of the implementation of the agreement. This research recommends strengthening regulations and education for franchise business actors to create a fairer and more sustainable business ecosystem.

Keywords : franchise agreement, legal protection, franchisor, franchisee, franchise in indonesia

INTRODUCTION

As we all know, Indonesia, as stipulated in Article 1 paragraph (3) of the 1945 Constitution of the Republic of Indonesia (1945 Constitution of the Republic of Indonesia), is a state of law. This means that the law is the basis or reference for Indonesia, in fulfilling the purpose of its formation, which is regulated in the 4th Paragraph of *the Preambule* of the 1945 Constitution of the Republic of Indonesia, which is to protect the entire Indonesian nation and all Indonesian bloodshed and to promote the general welfare, educate the nation's life, and participate in implementing a world order based on independence, lasting peace and social justice.

In the first and second orders of its formation, it is clearly stated that the Government of Indonesia should carry out its obligations in:

1. Protecting the entire Indonesian nation and all Indonesian bloodshed;
2. Promoting the general welfare;

So the famous adage of Satjipto Rahardjo's thought on Progressive Law which reads "law for humans, not humans for law" becomes very relevant to be implemented in state life in Indonesia. Simply put, the adage seeks to affirm that the law was created, solely to serve the interests of man, not the other way around, as if man rigidly devoted his life to the law. Referring to the explanation of the adagium, the Compiler argued that the law should not be interpreted as a written rule that must be provided by the Government, but more substantively, that the law is a legal system, both written and unwritten, that prioritizes the principle of utility, in short, whether the legal system is beneficial to the

interests of the community who have entrusted legal arrangements to the state (Mulgan, 2019).

One of the aspects of public interests that must be protected by law in Indonesia, is the aspect of public interests when entering into business agreements, this aspect should be an urgency or a priority interest because of the general welfare, the second goal in the establishment of the Indonesian state, closely related to the situation and economic conditions in the country (Asshiddiqie, 2016). Generally, countries with developed economies, such as China, the United States, Japan, and even one of Indonesia's closest neighbors, Singapore, have well-established legal systems, which are able to play a significant role as a support for the economic progress of their respective countries.

Recently, one of the business instruments that is widely circulated and often becomes a practical solution, in the community is the franchise system, or what may be more familiarly known as *the term franchise* by most Indonesian people. The history of the franchise in the world, began with Singer, who has been mass-producing singer-branded sewing machines since 1847, and sells and distributes sewing machines through franchise stores throughout America (Andri, 2013).

Pressed by his difficulty raising business capital, Singer gave permission to a representative to sell and repair his machine. After succeeding, he changed his plans. It gives local entrepreneurs the opportunity to become owners or operators in exchange for a fee in exchange for a share of profits. Singer supports franchisees with business tools and knowledge.

In doing his business, Isaac uses a method that is eventually imitated by many other businessmen. One of the first businessmen to follow in Isaac's footsteps in the way he ran his business was the automotive industry business from the United States, General Motors Industry in 1989. Then followed by John S Pemberton who is the founder of Coca Cola.

It was only after that that the franchise business model began to be looked at by other businessmen and big brands in the United States, including fast food processors such as A&W and McDonalds and others. It should be noted that the initial idea of franchising was to allow business partners to use the same name, food menu to logo and design. Furthermore, the idea is then exchanged for a predetermined number of payments and is valid for a mutually agreed time. Even today, the franchise method is increasingly developing and continues to improve. In the 1950s alone, franchising had reached 35 percent of the total retail business in the United States (Disemadi, Prananingtyas, & Sari, 2019).

In Indonesia, the franchise system began to be known in the 1950s, namely with the emergence of *motor vehicle dealers* through the purchase of licenses. The second development began in the 1970s, namely with the start of the plus license purchase system, that is, *the franchisee* is not only a distributor, but also has the right to manufacture its products. In order for a franchise to develop rapidly, the main requirement that a territory must have is binding legal certainty for both the *franchisor* and *the franchisee*. Hence, we can see that in countries that have clear legal certainty, franchising is growing rapidly, for example in the US and Japan (Zulkifli & Noor, 2024).

In the 70s, *the franchise* business had entered Indonesia. The first brands to enter are KFC, which Dick Gelael brought in as the brand's master *franchise*. Then there was Swensen's, which sold ice cream. In addition to these two brands, there are several other brands including Shakey Pizza brought by Ron Muller to Indonesia. Ron Muller is known as the Pizza figure who later developed Pizza Hut, and later founded Papa Ron's Pizza. Unfortunately, Shakey Pizza failed in Indonesia. Then there are also 7Eleven and Burger

King in the 70s that entered Indonesia, The fate of these two brands is like Shakey Pizza, which cannot develop in Indonesia and must return to their home country. They are considered to have entered Indonesia too early and the products they offer are not familiar with the tongue of Indonesians (Berliana & Sara, 2022).

In contrast to McDonald's, whose presence in Indonesia was immediately accepted by consumers in Indonesia because it shifted its main menu to fried chicken; a food product that is very familiar to the tongue of Indonesians. Even though in his native America, the main menu of McDonalds is burgers. Two brands that failed in the 70s had returned to Indonesia in the 2000s, and had succeeded. Indonesian consumers have been educated by the menus they offer. Burger King is now expanding in various malls in Indonesia. 7Eleven, whose presence is brought by Modern Photo Group, has made various adjustments, no longer as a retail minimarket, but offers a concept like a restaurant that provides ready-to-eat food and had become the most crowded hangout place in each outlet (Jamil, 2020).

In the 70s, Indonesia was still unstable economically and politically because it had only been five years after experiencing a change of leadership from Soekarno to Suharto. In the Soekarno era, his political policies tended to be closed to foreigners. Moreover, the political relationship with the Superpower at that time, the United States, was very disharmonious. Soekarno's political mecca at that time tended to the Soviet Union before the country collapsed and was divided into small states due to *Michael Gorbacev's glasnost* and *perestroika* policies (Maulidiana, 2017). Soekarno tended to be closed to foreign investment. And in that era, there was only one supermarket, namely Sarinah which was located on Thamrin Street.

At that time, there was no *local franchise*. Foreign *franchises* are only managed and developed by *the franchise master alone, not given further franchise rights to their enthusiasts.* Generally, the consideration of many foreign franchisees in Indonesia is that they only give their franchise rights exclusively to franchise masters because they maintain the principle of standardization.

Let's call it the cleanliness standard of the outlet, if it is managed by one person, in this case the entire branch is controlled by only one party, namely the franchise master, then the franchisor is easier to control. But if it is managed by various *franchisees, then there is only one naughty, which can have an impact on other outlets.* In Indonesia, to maintain this, namely control through one party to maintain standardization in all operational systems, creation is carried out through *franchises* with an operator franchisor system. This method is widely done by mini market franchise businesses to maintain standards and also make it easier to control business operations. Although there is currently a regulation issued during the SBY administration, that after reaching 250 outlets, *franchisees* or master *franchisees* are required to share opportunities with *franchisees who are interested in their business. So there is no reason anymore with the argument that standardization they are not willing to give to franchisees.*

The absence of *local franchises* in the 70s does not mean that there are no local businesses with a large network with a good and strong system. Foreigners had KFC at that time, and Indonesia actually had Ayam Goreng Mbok Berek which had many outlets, but at that time it was not *a franchise.* Until 1990, Indonesia still did not have a local *franchise* business. The local *franchise* business only started after the establishment of *the Indonesian Franchise* Association (AFI) in 1991. The Ministry of Trade revealed that the franchise business in Indonesia has huge potential. According to the Ministry of Trade of the Republic of Indonesia, the growth of the franchise business in Indonesia per year

is around 5% where 58% is dominated by the food and beverage sector, followed by the retail sector (15.31%), and the non-formal education sector (13.40%).

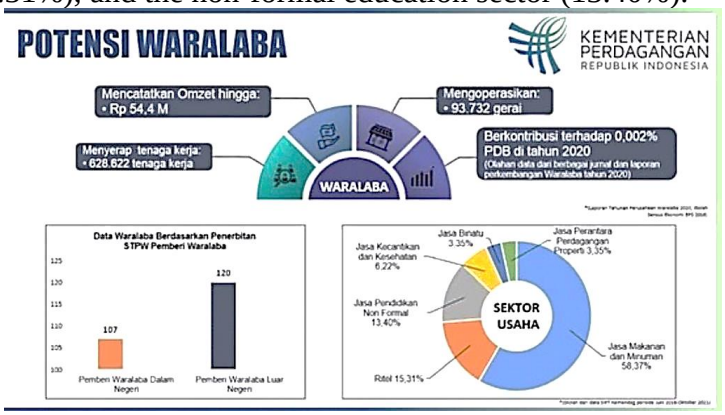

Figure 1. Franchise Potential in Indonesia

The Ministry of Trade of the Republic of Indonesia also mentioned that even in the pandemic situation, the franchise business still contributes to the Gross Domestic Product (GDP) in Indonesia as in 2020. The franchise business still contributes Rp. 290 trillion or 1.9 percent of Indonesia's GDP in 2020, by absorbing more than 600 thousand workers, a turnover of more than Rp. 54 billion, with a total of more than 93 thousand outlets operating. Franchise is an interesting topic because ideally, franchises, as long as they are not misused as a manifestation of the bad intentions of irresponsible individuals, can be an option for people who certainly consider the use of their capital carefully in the midst of global economic uncertainty.

Franchise is also a topic chosen by the Compiler in compiling this scientific work because basically, borrowing Rocky Gerung's sentence in commenting on a certain gender, the franchise is beautiful as an option, and dangerous as a fact. The franchise is beautiful as an option, as it is essentially a safe and simple option. It is safe because it has been proven to be profitable so that the Buyer aka the franchisee as an investor who has paid a certain amount of funds in the franchise agreement feels safe and secure about his investment. Simply because in order to obtain these benefits, the Franchisee only needs to follow the guidelines provided by the Franchisor, including about production, marketing, and sales procedures.

On the other hand, franchising turns out to be dangerous as a fact, because in general, problems or disputes that occur in the implementation of the franchise agreement, do not only occur when the franchise does not benefit the franchisee, but from the beginning, both realized or not by the parties in the franchise agreement, when both the Grantor and the Franchisee are wrong in understanding and applying the concept and law of the franchise itself. With these two sides, franchising has become a paradox in itself in the dynamics of the business world in Indonesia. Franchising seems to be a new concept that is the answer in the midst of an economic crisis, even though franchising has been present since 80 years ago, even though it is pioneered by foreign companies engaged in the automotive and culinary sectors.

Based on data from the International *Franchise* Attractiveness Index released by the University of New Hampshire, quoted by Kompas Research and Development, Indonesia's franchise investment attractiveness when compared to a number of other countries in 2019, it turns out that Indonesia occupies the 34th commemoration in terms of franchise attractiveness, aka above Russia (ranked 38th), above Brazil (ranked 43rd),

and even ranked 5th in the world for franchise market potential, aka far above Malaysia (ranked 17th) and very far above the most developed country in ASEAN, namely Singapore (ranked 29th).

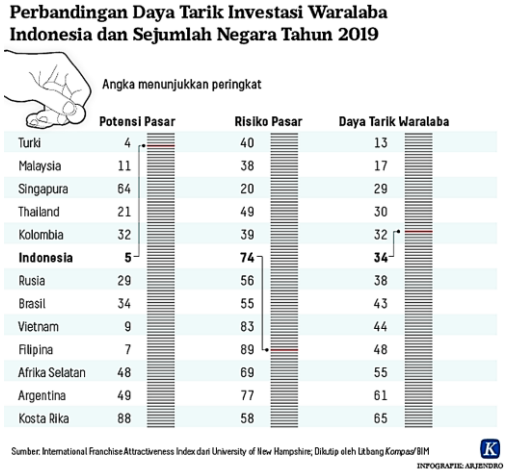

Figure 2. Comparison of Investment Attractiveness

In addition to the interest of the compiler from the social and economic aspects that have been described above, of course, the biggest interest behind the compiler choosing a franchise as the topic for the preparation of this legal research is the legal issues contained in the implementation of the franchise law itself. Apart from the essence of franchise law as a complex law, aka it has its own complexity because it involves the interests of franchisees, consumers and even the government, in practice the compiler found several problems in the franchise legal system in Indonesia, including the problem of the application of the law in this case by the district court that examines disputes related to inconsistent franchise agreements. and this inconsistency is certainly not an expected precedent for the advancement of franchise law and the legal system in Indonesia in general.

The inconsistency of the application of the law by the district courts, if faced with the concept of Indonesia as a state based on the law, as a country that makes the law its commander, where the law holds the supreme sovereignty or sovereignty in the management of the state, is a problem that according to the compiler is related not only to the substance of the law but also to the structure and culture of the law itself in the end. The simple logic of a country based on law such as Indonesia is that a legal substance is needed, mainly in the form of written legal norms that contain provisions and/or prohibitions along with sanctions when the prohibition is violated by a citizen or in a legal context violated by a legal subject.

In the event of a violation by a legal subject in this context, a violation related to the rules of the franchise agreement committed by the franchisor against the franchisee so as to cause losses to the franchisee, the franchisee has the right, one of them, to file the dispute in the form of a lawsuit to be examined and adjudicated by the district court. Then it is appropriate for the District Court to examine and decide the dispute as fairly as possible based on the substance of the law, in this case the applicable legal norms related to the franchise agreement.

The problem is that when there are two disputes that are broadly similar, decided differently by the district court, with a basis or logic in legal considerations that are also very different, and worse not reflecting the legal culture that the public expects from the panel of judges representing the court in examining and deciding the case. This is

certainly a concrete picture of the problem of legal uncertainty that occurs in the application of the Franchise Agreement Law, and is an irony for Indonesia as a country based on law, how is it possible for a dispute that is similar or even can be said to be similar to obtain legal considerations and legal decisions that are different from the judicial institution which should bear the same expectations from the community, namely providing or presenting justice in the middle community.

The elaboration of legal uncertainty in Indonesia, including part of the background of the compiler taking the topic of franchising in the preparation of this research, is not the main concern for the compiler, especially in terms of criticizing the legal system in Indonesia. Instead of participating or joining into a stream that echoes the spirit of legal certainty in Indonesia, the compiler is much more interested in discussing the usefulness of the legal system itself. As the compiler quoted at the beginning of this background section, the opinion of Satjipto Rahardjo who said that the law was created for the benefit of humans, not the other way around, not humans who devote themselves to the law.

Sometimes the compiler tries to compare which is a better situation, whether the state is full of the spirit of legal certainty which is formal or mere written but has not been tested clearly or even never thought deeply about its usefulness, compared to a country with the condition of written legal rules not too much, not only pursuing the aspect of legal certainty or positivism aka only law as a written rule, But more importantly, how the law, even if it is not written, can be beneficial to people's lives. The compiler, since the beginning, since the first day of sitting as a student of the Bachelor of Law program at the Faculty of Law, Esa Unggul University about ten years ago, until now as a student of the Master of Notary program at the Faculty of Law, Tarumanagara University, has always agreed with the adagium initiated by Roscoe Pound, law should be a tool of social engineering (*law as the tool of social engineering*) (Lili Rasyidi, 1988).

The Pound is in accordance with the Utilitarianism Theory which was systematically developed by Jeremy Bentham and his student, John Stuart Mill, a theory that is also known as the greatest happiness theory because it emphasizes the concept of the *greatest happiness for the greatest number* (Zainal Asikin, 2014). In this case, happiness is the output of the law that not only pursues certainty, but also justice, so that it boils down to its benefits for society. If the Respected Readers begin to get tired of the term legal usefulness that the Compiler has written about in this study how many times, allow the Compiler to try to eliminate the boredom of the Readers with Gustav Radbruch's thoughts on the priority of legal objectives, namely legal justice, legal utility, and legal certainty, so that the legal system can avoid internal conflicts (Muhamad, 2012).

It turns out that historically, according to Gustav Radbruch, at first, the goal of certainty ranked at the top among other goals. His view changed after seeing the fact that Nazi Germany legalized inhumane practices during World War II by making laws that legalized the atrocities of war at that time, Radbruch finally corrected his theory by placing the goal of justice above other legal purposes (Ahmad Zaenal Fanani, 2011). This justice must be social justice for the entire society, which is called *sociological justice* proposed by Ehrlich (Arbijoto, 2009), which is a law that lives in the consciousness of the community and is felt as justice for the community.

In Indonesia, as each of us is aware, has never been controlled or led by Hitler, but each of us is aware that there is a similar pattern, where the law that exists today, even the law that will exist, without us realizing it, has changed its place from its position as a servant of human interests to a figure or entity that is served, as if the law does not need

to be beneficial to humans. But man is obliged to devote himself to the law, solely on the basis of certainty.

The simplest example is about Driver's License (SIM) and Vehicle Number Registration Letter (STNK). Why SIM and STNK, what does it have to do with the legal topic of the franchise agreement raised by the Drafter? The compiler hopes that the Dear Readers can be patient, because in the discussion section later, the driver's license and STNK will be involved in detail in discussing real problems that occur in disputes related to the implementation of franchise agreements.

RESEARCH METHOD

This type of research is a normative research method, in a normative legal research that is researched is library material or secondary data which can also include primary, secondary, and tertiary legal materials (Soekanto, 2015). The research specification in this study is descriptive-analytical, which describes the applicable laws and regulations associated with legal theories and positive legal implementation practices related to problems (Soemitro, 1990). The data used in this study are sourced from primary and secondary legal materials, namely:

a. Primary Legal Materials

In the form of laws and regulations, including the 1945 Constitution of the Republic of Indonesia, the Civil Code, Government Regulation of the Republic of Indonesia No. 42 of 2007 concerning Franchising (PP No. 42/2007), Regulation of the Minister of Trade of the Republic of Indonesia No. 71 of 2019 concerning the Implementation of Franchises (Permendag No. 71/2019). Also in the form of District Court Decisions, including the Central Jakarta District Court No.546/PDT.G/2018/PN.Jkt/Pst and the North Jakarta District Court Decision No.3/Pdt.G.S/2023/PN. Jkt.Utr.

b. Secondary Legal Materials

Among them are law books, and previous researches. The data was obtained by literature study data collection techniques, and the plan is to be supported or supported by interviews with interested parties, for example related parties in the case used as the object of research, in order to complete the research results.

The data in this study is analyzed qualitatively, where the compiler analyzes the rules, facts, and problems in the rules so that the compiler can convey an overview or description of the problems and findings about the problems in the conclusion.

RESULT AND DISCUSSION

There are Legal Problems in the Substance of Franchise Law in Indonesia

The history of franchise regulation or law in Indonesia consists of:

1. Law Number 9 of 1995 concerning Small Businesses;
2. Government Regulation of the Republic of Indonesia Number 42 of 2007 concerning Franchises;
3. Law Number 20 of 2008 concerning Micro, Small, and Medium Enterprises;
4. Law Number 6 of 2023 concerning the Stipulation of Government Regulations in Lieu of Law Number 2 of 2022 concerning Job Creation into Law

In all the provisions of the laws and regulations above, there is not a single positive legal norm that expressly or specifically regulates legal sanctions for franchise business actors who violate the provisions of the franchise law in Indonesia.

There are Legal Problems in the Legal Structure of Franchise in Indonesia

In the two examples of cases that the researcher used as the object of research in this study, there are clearly problems in terms of the structure or enforcement of franchise law in Indonesia. The researcher has not succeeded in understanding the legal phenomenon of the two cases, where in a case that is almost identical, because it involves the same franchisor, the same franchise brand and product, it turns out that the Panel of Judges in each case handed down a verdict that contradicted each other. In the case at the Central Jakarta District Court, between Henny and Brando, it is clear how the Panel of Judges did not reflect its attitude as the last bastion of the community, in this case Henny as a buyer or franchisee, in fighting for his rights and justice.

The Panel of Judges at the Central Jakarta District Court who examined the case seemed to take refuge behind the principle of bona fide contained in Article 1338 of the Civil Code, as if the principle was absolute, only concerned with the aspect of formality. The Panel of Judges of the Central Jakarta District Court forgot the fact that even though the case is included in the civil realm, which usually positions the judge in a passive position in examining the formal truth, the ultimate goal of the judiciary is justice itself. The question is, is it fair for a judge to consider an agreement to be absolute, cannot be unilaterally canceled, when it is obvious, obviously, that there is an untruth hidden by one party during the negotiation process towards the agreement?

In contrast to the Single Judge at the North Jakarta District Court, who examined the dispute between Imelda Bungawati and PT Hoghock Kuliner Indonesia, who firmly broke the habit by interpreting unlawful acts as not only active acts, but passive acts, *in casu* the actions of PT Hoghock Kuliner Indonesia did not reveal the true fact, that actually the agreed franchise was never registered in the Ministry of Trade of the Republic of Indonesia.

There are Legal Problems in the Franchise Legal Culture in Indonesia

In the two examples of cases that the researcher used as the object of research in this study, it is clear that there are problems in the culture or legal culture of the community related to the franchise phenomenon, especially for the two main parties in a franchise agreement, namely the *franchisor* and the franchisee (*franchisee*). Both the Franchisor and the Franchisee, especially in the two case examples in this study, still have a lack of awareness related to the franchise law that applies in Indonesia. This ultimately harms both parties, both the franchisor and the franchisee. Ideally, the franchisor, like other entrepreneurs, before establishing a business, first pays attention to the legality aspect of his business, not just busy paying attention to the business or commercial aspect. This is important so that in the future, especially when the business has been running and growing, the franchisor can focus on developing his business, not focusing on facing legal problems that arise, which are mainly due to the unfulfilled aspect of franchise legality which has been problematic since the beginning.

In the 2 examples of cases listed in this study, restaurant franchises with the Hoghock brand have clearly never been registered with the Ministry of Trade of the Republic of Indonesia, but boldly submitted business proposals and even entered into agreements with the term "franchise" which is clearly prohibited in Article 3 of the Regulation of the Minister of Trade of the Republic of Indonesia Number 71 of 2019 concerning the Implementation of Franchises which states:

> *Individuals or business entities are prohibited from using the term and/or name of the Franchise for their names and/or business activities, if they do not meet the criteria as intended in Article 2.*

The courage to violate the prohibition on the use of franchises by Hoghock Restaurant as a Franchisee, is exacerbated by the continued attitude of the person concerned, who seems to have refused or has not accepted that it is considered wrong or violated, as illustrated by PT HKI's Response Letter dated March 15, 2023, on a summons from Sdri's Legal Representative. Imelda Bungawati No.23.05/Som/III/2023/B&CO. dated March 13, 2023 which essentially issues the legality of the Hoghock restaurant franchise. In the Letter of Response, there was not a single acknowledgment or apology from PT HKI to Sdri. IB, on the contrary, PT HKI accused Sdri. IBs have enjoyed turnover, and are only making it up to avoid royalty payment obligations. The arrogance of PT HKI then changed 180 degrees, when after the inkracht of the PMH Case Decision at the North Jakarta District Court, Sdri. IB reported Mr. BK as Director and Shareholder of PT HKI, on suspicion of fraud, embezzlement, and/or forgery, to the Penjaringan Metro Police, North Jakarta.

During the examination in the context of clarification by the Penjaringan Metro Police Investigator, and also during the mediation in the context of restorative justice efforts by the Police, Mr. BK actually admitted that he did not know about the obligation to register a franchise business with the Ministry of Trade of the Republic of Indonesia. It is clear that the legal culture is still very far from the ideal word shown by the Franchisee in this case, which of course harms other parties, especially the Franchisee, who are forced to take legal action through the North Jakarta District Court and the Penjaringan Metro Sector Police, in order to fight for their rights and justice.

As for the Franchisee, in this case there is still a lack of initiative to find out in advance about the legality of the prospective Franchisee, this is very important because of course it can prevent disputes if the legality problem has been known from the beginning and it is almost certain that the franchisee will not want to cooperate with the problematic Franchisee, aka not a registered franchisee.

Problems in 3 Legal Sub-Systems Cause Chaos in the Franchise Legal System in Indonesia

Based on the description in 3 sub-chapters that each discuss the legal sub-system, the researcher found that there are still problems in the franchise legal system in Indonesia as a whole, both from the substance or norms of laws and regulations that do not strictly regulate francing, from the structure or law enforcement that has not guaranteed legal certainty, especially in the event of a franchise dispute, as well as from the culture or legal habits of the parties in franchising. These phenomena illustrate how chaotic the franchise legal system in Indonesia is, which needs to be improved so that it does not drag on, so that the law, in this case the franchise legal system can fulfill its essence as a social engineering tool as Pound's opinion.

Abuse of the Situation or Chaos of the Franchise Legal System by Franchisees in Indonesia

The urgency of improving the franchise legal system lies most importantly, in the researcher's view, is in the franchise legal culture, which if not immediately corrected, which of course needs to be supported by adequate suspension and law enforcement, will cause problems such as protracted franchise disputes. The problem is ignorance, or indifference of the general public about franchising, potentially, in this case the potential has become a legal fact, taken advantage of by irresponsible persons, in casu Franchisors who persuade prospective franchisees with the promise of profits that are so tempting, even though from the beginning it is problematic because it is not legal, not registered with the Ministry of Trade.

Innovation or Renewal of the Franchise Legal System in Indonesia is Needed

Innovation, aka reform in the realm of the franchise legal system, is absolutely necessary, so that, again, the researcher emphasizes the essence of the law, so that the law, in this case the franchise legal system can fulfill its essence as a social engineering tool as Pound's opinion.

CONCLUSION

There are still problems in the franchise legal system in Indonesia as a whole, both from the substance or norms of laws and regulations that do not strictly regulate francing, from the structure or law enforcement that has not guaranteed legal certainty, especially in the event of a franchise dispute, as well as from the culture or legal habits of the parties in franchising. These phenomena illustrate how chaotic the franchise legal system in Indonesia is, which needs to be improved so that it does not drag on, so that the law, in this case the franchise legal system, can fulfill its essence as a social engineering tool as Pound's opinion

The problem in the franchise legal system causes the franchise agreement, which is expected to be a protective umbrella for the legal interests of the parties, both the Grantor and the franchisee, has not been effective in carrying out its role and essence, which is to provide legal protection.

Therefore, innovation, aka renewal in the realm of the franchise legal system, is absolutely necessary, so that, again, the researcher emphasizes the essence of the law, so that the law, in this case the franchise legal system can fulfill its essence as a social engineering tool as Pound's opinion. The legal system can take an innovative form or form, not just the implementation of new legal rules, nor just the formation of new bodies or agencies, but how to create a community legal culture that is more sensitive and careful in responding to franchise business offers.

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