

# *Legal Protection Of The Parties In The Franchise Agreement*

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*Abstract - Franchise agreements are based on the principles of contractual freedom set out in Article 1338 of the Civil Code. However, the implementation on this basis needs to pay attention to the requirements mentioned in Article 1320 of the Civil Code which is about the legal conditions of an agreement. One of the causes of problems in the Franchise Agreement is the existence of a standard contract or standard contract based on freedom of contract contained in the Civil Code. How is the legal protection for the parties in the Franchise Agreement during the pandemic? What are the legal consequences of not registering a Franchise? The approach method is the normative juridical method. Specifications This research is analytical descriptive. Data collection used is library studies, document studies. Analytical descriptive data analysis. In connection with the covid-19 pandemic period, the pandemic condition which qualifies as force majeure has implications for the franchise agreement made by the parties. Franchisors cannot be declared in default because the contractual obligations are not fulfilled not because of intent or negligence but because of the Covid-19 pandemic. Regents according to their authority can each impose administrative sanctions in the form of written warning; fine; STPW revocation.*

**Keywords- Agreement; Franchise; Legal Protection**

## I. INTRODUCTION

The presence of a standard contract or freedom of contract is found in the Criminal Code. Therefore, the State gives the basic limitation of good faith as stated in Article 1338 Paragraph (3) of the Criminal Code as an effort to protect the law against the parties involved in the Franchise Agreement. Especially the franchisee whose position is weaker than the franchisor. The position of the franchisee is indeed weaker compared to the franchisor. Because the franchisee only runs the business of the franchisor and expands its business locally or elsewhere. Therefore, the franchisee in conducting its business must comply with the content of the standard contract agreement made by the franchisor, because the franchisee does not have the right to determine the content of the

agreement made by both parties, this causes legal protection as well as obligations and rights for the franchisee in implementation of franchise business agreements.

Article 1338 of the Civil Code encourages the applicability of all legally established agreements as laws to those who make them. An agreement cannot be revoked as long as it is agreed upon by both parties or for reasons reasoned by law to be sufficient for that purpose. An agreement must be executed in good faith. Based on the provisions contained in Article 1338 of the Civil Code, it will be known the basics - the principle of freedom of contract that is everyone is free to make an agreement or free to determine the content of an original agreement is not contrary to the Law and public order.

A franchise agreement is an agreement between the franchisee and franchisor, which gives the franchisor the right to manufacture or sell goods (products) and/or services within a certain time and place decided by the franchisor. While the franchisee pays a certain amount of money to the franchisor for the right he has acquired, such as buying and selling; renting, and so on. Therefore, the provisions of the agreement law that apply to a franchise contract are generally only the provisions in the general section of the agreement, namely those contained in Article 1233-1456 Civil Code, for example, the validity of the provisions regarding the validity of the agreement, regarding the termination of the agreement and so on. This is what led to the idea of conducting this research activity.

## II. PROBLEMS

First, how is the legal protection of the parties in the Franchise agreement? And second, What are the legal consequences for the Franchise not being registered?

### III RESEARCH METHOD

The type of research used is normative legal research or commonly known as doctrinal research, which is research conducted by examining library materials or secondary data consisting of primary legal materials, secondary legal materials, and tertiary legal materials. According to Peter Mahmud Marzuki, all research related to law (legal research) is always normative [1] This research is descriptive-analytical using the statute approach and the case approach. The source of this research uses primary and secondary legal materials related to the legal issues raised. The data collection technique used in this research is library research.

### IV. DISCUSSION

#### 1. Legal Protection For The Parties To The Franchise Agreement

The definition of Franchise according to Article 1 of Government Regulation Number 42 of 2007 concerning Franchising, states that: Franchising is a special right that is owned by an individual or business entity against a business system that is business in nature to market goods and/or services that have been proven successful and can be used and/or used by other parties based on a franchise agreement. [2]

The franchise is a form of the business format in which the first party called the Franchise provider (franchisor) grants the right to the second party called the Franchise recipient (franchisee) to distribute goods/services within a geographic area and a certain period by using a brand, logo, and an operating system that is owned and developed by the franchisor. The granting of these rights is stated in the form of a franchise agreement. [3]

In addition to the definition of a franchise, it is necessary to explain the meaning of the franchisor and franchisee.

Franchisor or franchisor is a business entity or individual that gives rights to other parties to utilize and or use intellectual property rights or inventions or business characteristics that they own.

Franchisees or franchise recipients are business entities or individuals who are given the right to utilize and/or use intellectual property rights or inventions or the characteristics of the franchise giver.

A franchise agreement is an agreement that the franchisor holds with the franchisee, the franchisor grants the franchisee the right to produce or market goods (products) and/or services (services) within a certain time and place agreed by the franchisor, while the franchisee pays a certain amount of money to the franchisor for the rights he has acquired. . The definition of the franchise agreement as referred to above, can be seen several elements of the franchise agreement, are: [2]

1. The existence of an agreed-upon agreement. Franchise agreements are made by the parties, namely franchisors and franchisees, both of whom are qualified as legal subjects, either as legal entities or only as individuals.
2. There is a right from the franchisor to the franchisee to produce or market goods and or services. With this franchise agreement, the right to use the franchise system is granted. Granting rights under the franchise name from the franchisor to this franchisee, then the rights given need to be regulated in the franchise agreement.
3. Granting of these rights is limited to a certain time and place. In this case, the franchisor gives the franchisee the right to use the name, trademark, and logo of his business to the franchisee limited to the place and time that has been agreed in the franchise agreement.
4. There is a payment of a certain amount of money from the franchisee to the franchisor. Some financial compensation must be submitted by the franchisee to the franchisor so that the relationship can be a franchise relationship. Although it is not absolutely a payment of money. Such compensation is usually included in the categories' initial money, royalties, and other money of an occasional or recurring nature.

According to Government Regulation No. 42/2007. Article 4 concerning Franchise A Franchise Agreement must at least contain clauses regarding the following:

1. Identity of each party;

2. Identity and position of each party authorized to sign the Profit Wara Agreement;
3. A description of intellectual property rights or inventions or characteristics of products and / or services that are the object of the franchise;
4. The rights and obligations of each party as well as the support and facilities provided to the Franchise recipient;
5. The marketing area. in this case, the franchisor can determine whether the marketing area covers all or part of Indonesia;
6. The term of the Franchise Agreement (which is at least for 5 years along with the procedures and requirements for the extension of the Agreement;
7. Procedures for dispute resolution;
8. Matters that may result in termination or termination of the Franchise Agreement;
9. Compensation in the event of termination of the Franchise Agreement;
10. Method of payment;
11. The use of products or materials produced in the country as long as they meet the stipulated quality standard requirements; and
12. Coaching, training, and guidance for Franchise Recipients. [4] PP 42/2007 For the Government, rule of law is a responsibility that must be realized to provide legal services and justice for its citizens to create order and harmony in life. After all, legal protection is a right for every citizen wherever they are and the Government has a big responsibility to enforce the law for the implementation of legal protection for its citizens without any discrimination.

For the Government, rule of law is a responsibility that must be realized to provide legal services and justice for its citizens to create order and harmony in life. After all, legal protection is a right for every citizen wherever they are and the Government has a big responsibility to enforce the law for the implementation of legal protection for its citizens without any discrimination. Franchise agreements are one aspect of legal protection for

parties from harming other parties, including in providing legal protection for IPR. This is because the agreement can be a strong legal basis to enforce legal protection for the parties involved in the Franchise system. If one of the parties violates the contents of the agreement, then the other party can sue the violating party by applicable law. As with the Franchise Agreement above, it can be seen that the Agreement has specifically regulated IPR protection, namely by agreeing on certain limitations that must be obeyed by the franchisee, which is directly or indirectly aimed at protecting the intellectual property rights of the Franchise giver. Government Regulation on Article 5 about Franchise, in the Franchise Agreement, contains clauses at least:

- a. Name and address of the parties;
- b. Types of Intellectual Property Rights;
- c. Business activities;
- d. Rights and obligations of the parties;
- e. Assistance, facilities, operational guidance, training, and marketing provided by the Franchise Giver to the Franchise Recipient;
- f. Business area;
- g. Duration of the agreement;
- h. Procedure for payment of rewards
- i. Ownership, change of ownership and rights of heirs;
- j. Dispute resolution; and
- k. Procedure for extension, termination.

[5]

However, the unilateral contract termination makes the franchisee's position as a weak party. In the Franchise Agreement, the principle of freedom of contract is applied, it's called the freedom of the franchisor to determine or choose a business partner as a franchisee because the freedom to determine the contents and form of the agreement no longer exists with the pouring of the Franchise Agreement in the form of a standard agreement

A franchise agreement is a standard agreement, where the franchisor has prepared terms that have been printed in an agreement form which is then submitted to the franchisee. This standard agreement is commonly made because the franchisor can save more money and time. However, agreements like this are often burdensome to franchisees because they are

dominated by the interests of the franchisor. This standard agreement can also be called an agreement to accept or reject (take it or leave it) because one of the parties cannot carry out negotiations or the terms contained in the agreement. This agreement opposes the principle in the agreement, namely the principle of freedom of contract because it appears that this franchise agreement only focuses on the interests of the franchisor. The principle of freedom of contract as the basis for forming a franchise agreement, in practice is often misused by strong parties so that it often causes irregularities in the formulation of rights and obligations by strong parties, thus harming the weak. [6]

Based on Article 1338 paragraph (1) that in the making of an agreement there is a principle of freedom of contract where this principle gives freedom to any person or business entity to make any agreement without violating provisions prohibited by law or statutory regulations, the agreement is valid according to law.

Article 1338 paragraph (2), that is, if an agreement has been made and it has been agreed that it is valid, then one of the parties cannot withdraw or cancel the agreement without an agreement from both parties agreeing.

Article 1338 paragraph (3) of the Civil Code is about the principle of good faith in agreeing. This means that a business agreement is based on bad faith, for example, based on fraud, then the business agreement is considered invalid and can be canceled according to law. Thus the principle of good faith implies that freedom in making a business agreement cannot be realized on the will of one of the parties without being limited by good faith. With the principle of good faith, each party agreeing will carry out the obligations and rights arising from the agreement.

In agreeing the parties must comply with the provisions of Article 1320 of the Civil Code regarding the validity of an agreement:

- 1) There is an agreement between the parties;
- 2) The competence of the parties;
- 3) A certain thing.

The following are the clauses that are commonly agreed upon in a franchise contract, both international and domestic, such as:

1. General provisions
2. Conditions precedents
3. Franchise Grant
4. Restrictions on the use of franchise rights (limited of franchise / intellectual property protection)
5. Franchise price and payment terms
6. Services by the franchisor
7. Uniformity
8. Promotion (marketing and advertising campaign)
9. Training
10. Exclusivity
11. Terms of the agreement
12. Location selection (premises)
13. Right of inspection and audit
14. Report procedures (report procedures)
15. The principle of non-competition (non-competition)
16. Product or system confidentiality (non-disclosure)
17. Administrative licensing (government approval)
18. Employees and labor
19. Insurance
20. Guarantee against lawsuits and losses (indemnification)
21. Taxes
22. Transfer of rights (assignment)
23. Stand-alone position (independent contractors / no - agency)
24. Default (event of default / non-performance)
25. Extension agreement
25. Extension agreement
26. Termination or termination of the agreement
27. Choice of forums and legal jurisdiction (forum and governing)
28. Amendments to the agreement and waiver of rights (modification and waiver)
29. Damages
30. Force Majeure
31. Several abilities of provisions

32. Authority to be bound in a contract (binding authority)
33. Settlement of disputes
34. Attorney fees (cost and fees)
35. Correspondence (notices)
36. Contract integration (merer / entire agreement) [2]

#### Obligations and Rights of the Franchisor

The obligations include the franchisor grants exclusive rights to the franchisee, franchisors provide education and training services to franchisees, franchisors lend guidelines and systems for franchisees to use in setting up and managing outlets and provide accounting assistance, the franchisor will provide the guidelines and systems for the franchisee to use in setting up and managing the store.

The rights include the franchisor is entitled to receive franchise fees or rewards from the franchisee, franchisor supervises the operation of the franchise business system, franchisors receive regular reports on the course of activities. [7]

Regulation of the Minister of Trade of the Republic of Indonesia No.57/M-DAG/PeR/9/2014 is concerning on Amendments to the Regulation of the Minister of Trade No.53/M-DAG/PeR/8/2012 is concerning Franchise Implementation. The Franchise Agreement which is terminated unilaterally by the Franchise giver before the term of the Franchise agreement ends, the Franchise giver cannot appoint a new Franchise recipient for the same region, before reaching an agreement in dispute resolution by both parties (clean break) or until a court decision is made has permanent legal force (Article 8 of the Republic of Indonesia Regulation No.57/M-DAG/PeR/9/2014. This means that the franchisor does not arbitrarily terminate the agreement and then replace the new Franchise recipient before an agreement between the two parties is reached by deliberation or through a court decision. So that the franchisee who was decided unilaterally received compensation for example from the party giving the franchise through deliberation. [7]

In principle, the franchisor can no longer perform unilateral termination. If this is done or unavoidable, then the franchisor cannot appoint a new franchisee

for the same area before there is peace between the parties or a court decision has permanent legal force. Of course, if you have to wait for a court ruling with permanent legal force, it will take a long time. If based on general provisions, a Franchise agreement offered by the Franchisor cannot be contested, or in other words, the form and content of the agreement are determined by the Franchisor, and the Franchisee only needs to sign a signature without negotiating with the Franchisor regarding the contents of the agreement. As if the Franchisee does not have the right to submit suggestions or suggestions for the Franchise agreement that will be carried out, even though not necessarily all the established rules can provide benefits for both parties. The rights that are usually received by the Franchisee are still very limited so that the possibility of the Franchisee to fight for its rights is still bound by the contents of the agreement it has agreed to. If there is a problem in implementing the Franchise agreement, the Franchisee must review the commitment that has been agreed with the Franchisor.

With this study, it is hoped that the prospective franchisee will not be deceived and feel disadvantaged by the party or franchise owner. This is done to anticipate any unilateral action from the Franchisor to the Franchisee Government regulations related to the franchise for providing protection to the parties and controlling the implementation of the franchise agreement: 1. Government Regulation No. 42 of 2007 concerning "Franchise" (As a substitute for Government Regulation No. 16 of 1997). The replacement of this Government Regulation is intended to provide more legal certainty for Franchise Givers and Franchise Recipients in marketing their products. This Government Regulation is quite helpful in regulating and directing each Franchise actor in carrying out their business. It is now proven that everywhere we can find a business with this Franchise concept. However, as previously explained there are still problems and disputes that can be encountered. As for the Government Regulation No.42 of 2007 concerning Franchise related to the implementation of legal protection, regarding the imposition of sanctions contained in Chapter 7 Article 16 to Article 18. [8]

Franchise regulation through state interference does not mean that it is against the principles of the free market or free trade, but is more focused on creating a fair and transparent franchise business climate (Franchise), the balance of rights and obligations of the parties is the basis for Franchise arrangements that have been so prevalent in Indonesia. Besides, interference by the state is principally carried out as an effort to dynamize the economy of the lower middle class as business partners with Franchise companies, not in the sense of interference that is contrary to the principle of freedom of contract but the intended intervention is more aimed at forming policies for the Franchise Agreement. made by the parties. [8]

Often the implementation of the agreement occurs in disputes because of the different interpretations and understanding between the two parties regarding the contents of the agreement. If this happens, the Civil Code provides several solutions that can be used to solve it, namely through Articles 1339 and 1347. The legal protection that can be provided to franchisees is in the form of 1. Preventive legal protection, which can be carried out by Government Through the laws and regulations issued. With the issuance of Government Regulation No.42 of 2007 along with Kepmenperindag No.259/MPP/Kep/1997, franchise businesses in Indonesia have received special arrangements. So that with the issuance of this regulation, the franchise business gets legal protection in the conduct of its business. Legal protection by the government as outlined in the articles of Government Regulation No.42of2007 along with the Minister of Industry and Trade Decree No.259/MPP/Kep /7/1997.

2. Legal Protection for Parties to the Franchise Agreement During the Pandemic. Agreement/contract is a legal relationship that is often carried out in the business world/community in Indonesia. With the Covid 19 pandemic, the Indonesian government through Presidential Decree No.12 of 2020 determined the Corona Virus as a National Disaster. As a national disaster, it has had an impact on all aspects of people's lives. One of them has an impact on decreasing the economic capacity of the community which in turn can result in the community not being able to fulfill the achievements

in the agreement / not being able to carry out the agreement.

The legal protections provided by the government during the Covid-19 pandemic is by providing the Government's legal umbrella in saving the national economy, including Government Regulation instead of Law No.1 of 2020 concerning State Financial Policy and Financial System Stability for Handling the 2019 Corona Virus Disease Pandemic And / Or In The Context Of Facing Threats That Endanger the National Economy And / Or Financial System Stability, Presidential Decree No.12 of 2020 concerning the Determination of Non-Natural Disasters for the Spread of Covid-19 as a National Disaster and Financial Services Authority Regulation No.11/POJK.03/2020 Regarding National Economic Stimulus as a Countercyclical Policy on the Impact of the Pandemic.

The main points of POJK Regulation on the Stimulus of the Impact of COVID-19 include:

- a. This POJK applies to BUK, BUS, UUS, BPR, and BPRS.
- b. Banks can implement policies that support economic growth stimulus for debtors affected by the spread of COVID-19, including MSME debtors, while still paying attention to the principle of prudence.
- c. Debtors affected by the spread of COVID-19, including MSME debtors, are debtors who have difficulty fulfilling obligations to the Bank because the debtor or debtor's business is affected by the spread of COVID-19, either directly or indirectly in the economic sector, including tourism, transportation, hospitality, trade, processing, agriculture, and mining.
- d. The stimulus policy consists of 1) Assessment of the quality of credit/financing / other provision of funds is only based on the accuracy of principal and/or interest payments for credit/financing / other provision of funds with a ceiling of up to IDR 10 billion, and 2) Improvement of credit/financing quality to become smooth after restructuring during the validity period of POJK. This restructuring provision can be applied by the Bank regardless of credit/financing ceiling limits or the type of debtor.

- e. The way of restructuring credit/financing is carried out as stipulated in the OJK regulations regarding asset quality assessment, among others by lower interest rates; extension of the period; reduction of principal arrears; reduction of interest arrears; additional credit/financing facilities; and/or conversion of credit/financing into Temporary Equity Participation.
- f. Banks can provide new credit/financing/provision of funds to debtors who have received special treatment following this POJK by determining the quality of credit/financing / other provision of funds carried out separately from the quality of credit/financing / other previous provision of funds.
- g. The Bank submits periodic reports on the application of this POJK for Supervisory monitoring since the position of the data at the end of April 2020.
- h. This provision is valid from the time of promulgation until March 31, 2021.

The state of the Covid -19 pandemic can have an impact on the implementation of contracts/agreements that have been made by the parties. One of them is in the Franchise Agreement, which in the period before the pandemic was growing rapidly, but many businesses were being stopped due to the virus pandemic so that entrepreneurs had to innovate and restructure to support business operations. Franchisees must think about principles that benefit the Franchisor with a small risk, and in restructuring companies and agreements, Franchisees must accurately measure the impact of the pandemic on the Franchisor. The period of the pandemic can qualify as force majeure. This is because a pandemic occurs beyond the control of the parties, cannot be predicted in advance by the parties, and results in the parties being unable to carry out their contractual obligations. A case-by-case approach does the pandemic prevent debtors from carrying out their contractual obligations. This is because the pandemic situation did not cause all business sectors to stop running or be affected so that they were prevented from fulfilling their contractual obligations. This means that to be able to say it is a force majeure, it is important to pay attention to the element of obstruction of the fulfillment of contract obligations.

If that happens, the Covid-19 pandemic will have implications for business contracts. The state of the Covid-19 pandemic which qualifies as a force majeure has implications for business contracts made by the parties. This is confirmed in Article 1244 of the Civil Code, Article 1245 of the Civil Code, Article 1444 of the Civil Code, and Article 1445 of the Civil Code. Based on these articles, the legal protection during the Covid-19 pandemic against business contracts is that the debtor in the business contract is not required to bear losses and pay fees, fines, and interest due to failure to fulfill obligations.

The debtor cannot be declared in default because the contractual obligation is not fulfilled not because of intent or negligence but because of the pandemic. A party who has a contractual obligation cannot be asked for compensation if there are circumstances that could not be foreseen or beyond reasonable control due to external factors.

Besides, the implications of the pandemic on business contracts also result in the parties making changes/addendum to the agreement. This is done so that the parties can continue to carry out their contractual obligations at a later time as agreed by the parties depending on the contents of the agreement clause itself. The debtor's contractual obligations can be temporarily suspended until it is possible to fulfill the obligations again when the situation and conditions have been controlled due to the pandemic. Therefore, the parties should renegotiate their business contracts with clauses that can accommodate the interests of the parties, protect the parties, and ensure that contractual obligations are carried out amid the pandemic.

#### *Legal Consequences of Unregistered Franchise*

Franchisees are also required to register a franchise agreement. With the registration of a franchise agreement by the franchisee, the franchisee is allowed to re-examine the matters conveyed by the franchisor regarding the franchise offer prospectus, especially regarding the rights and obligations of the parties in the franchise agreement. Apart from being related to the registration of a franchise agreement, franchisees can also seek legal protection related to intellectual property rights owned by the franchisor if a third party violates intellectual property rights.

Franchisees can file legal remedies both in litigation and non-litigation according to the agreement outlined in the franchise agreement.

Franchise business is held based on a written agreement between the donor and franchisee with due observance of Indonesian law. The Franchise Agreement may contain a clause granting rights for the Franchise recipient to appoint another Franchise recipient. The Franchise Giver is required to guide the form of training, operational management guidance, marketing, research, and development to the Franchise recipient on an ongoing basis. Another obligation is that the franchisor must register the prospectus of the franchise offering before entering into a franchise agreement with the franchisee. Then the franchisee is also required to register the franchise agreement. Registration is submitted to the Minister, where a Franchise Registration Certificate will be issued which is valid for 5 years and can be extended. If this is not done, the Minister, Governor, Regent / Mayor have the right to impose sanctions. Sanctions are regulated in Government Regulation Article 16 Franchise, namely in the form of written warnings, fines; and / or revocation of Franchise Registration Certificate.

The franchise agreement is one aspect of legal protection for parties from harming other parties. This is because the agreement can be a strong legal basis to uphold legal protections for the parties if one party violates the agreement, then the other party can claim compensation from the party that is detrimental by applicable law. Franchises need to obtain legal protection due to an imbalance in bargaining power in an agreement, making the franchise's position not having a strong enough bargaining position to defend what is its right.

The franchisor establishes the terms and standards that must be followed by the franchise which allows the franchisor to cancel the agreement if he considers the franchise unable to fulfill its obligations. Legal protection for the franchise if there is an unbalanced position in the agreement between the franchisor and the franchise can be carried out in a way that the franchisee can refuse to perform its achievement or refuse to make further achievements when the franchisor has previously committed default or violated the agreement. Article 8 PP No. 42 of

2007 concerning Franchise which contains franchisors are required to guide the form of training, coaching, guidance, operations, management, marketing, research, and development to franchisees on an ongoing basis. So that if the franchisee has difficulty marketing the franchisor, the franchisor is willing to provide guidance

Based on this article, if the franchisor does not report the prospectus registration of the Franchise offer / does not register the Franchise agreement, the franchisor will be subject to sanctions. This is one of the government's efforts to protect franchisees from franchisors who only want to get personal benefits. The legal protection that can be provided to franchisees based on Government Regulation Number 42 of 2007 and Book III of the Civil Code is preventive or preventive.

If the Franchise giver and Franchise recipient violate the obligation to register the prospectus of the offer and Franchise agreement, the Minister of Trade, Governor, Regent / Mayor according to their respective authority may impose administrative sanctions in the form of written warning; fine; and/or revocation of STPW.

It is noteworthy that administrative sanctions in the form of written warnings against registration violations can be given a maximum of three times within two weeks from the date the previous warning letter was issued. Administrative sanctions in the form of a maximum fine of Rp. 100 million are then imposed after the issuance of the third written warning letter.

Meanwhile, the STPW revocation sanction is only imposed on the Franchise giver who does not guide the Franchise recipient, after the issuance of the third written warning letter. [3]

Apart from being administrative, non-registration is also a civil problem. It has been previously explained that before entering into a Franchise Agreement, you are required to register a Franchise offering prospectus to get STPW.

The subject in the book of Agreement Law explains that an agreement that has been defined in a formality or in a certain way is called a formal agreement. If such an agreement does not fulfill the formalities stipulated by law, then it is null and void

by law. This applies to agreements that are not preceded by STPW of the franchisor.

Cancel by law means that from the beginning it is considered that an agreement has never been born and there has never been an engagement. Apart from the existing rules to obtain legal order for the implementation of a franchise, orderly actions must be taken into account by the parties as follows a franchise must be registered, a franchisee must adhere to the principle of open information, it takes a strong franchise association, needs a code of ethics for the franchise, needs guidelines by the government regarding standard clauses for franchise contracts. The laws and regulations mentioned are related to one another, either vertically or horizontally. Many rules are related to business.

This franchise is expected to keep pace with the rapid growth of this business and become a legal umbrella for the parties involved in the Franchise Agreement, which in turn can provide protection for the parties and direct each business agreement with the Franchise system or franchise to take place as expected. Even though there are so many rules that govern franchising, as in business in general, franchising cannot be separated from a problem or dispute in it. Problems that often arise are due to concerns about the unilateral termination of a franchise agreement between the franchisor and the franchisee [8]

#### IV. CONCLUSION

The Conclusion of this study is Legal protection that can be carried out to the parties, providers, and recipients of the franchise are preventive protection, which aims to prevent legal disputes. In Indonesia, there is no preventive legal protection rule. Meanwhile, repressive legal protection aims to resolve a dispute from both parties. This protection is the final protection which can be in the form of sanctions against the parties. in the form of sanctions to the parties such as fines, imprisonment, and additional penalties given in the event of a franchise dispute.

Legal consequences if the Franchise is not registered or if the Franchise provider and Franchise recipient violate the obligation to register the prospectus of the offer and Franchise agreement, the Minister of Trade, Governor, The Regent / Mayor according to their respective authority can impose administrative sanctions in the form of written warnings; fine; and/or revocation of STPW.

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