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Franchise Agreement as A Legal Instrument of Technology Transfer in Business Activities

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Abstract
The franchise system in Indonesia is subject to the Government Regulation No. 16 of 1997, regulating franchising, through the Ministry of Trade, and general regulations relating to franchising. A franchise contract under the Law essentially covers an organizational intellectual asset and licensing privileges as well as the rights and duties of the owner and the franchisee to license and resell them. The aims of this research were to analyze the franchise agreement in relation to the government regulations for technical assistance and the potential management of Indonesian franchise agreements. This study applied a normative legal research design, and examined the legal literature and archives based on franchise agreements and transfer of technology within the intellectual property rights. The findings of this study suggest that the franchise agreements made in Indonesia are do not comply to Transfer of Technology Code (TOT-Code), nor follows the franchise and agreement regulations prescribed by the established laws. The result of this research also suggest that the Indonesian franchise agreement is not purposely regulated yet in the form of law; it is regulated in the form of governmental regulation and ministerial decree. The study recommends that franchise agreements in Indonesia should be regulated under separate laws; the Indonesian entrepreneurs should get the benefit of transfer of technology through franchise agreements with foreign entrepreneurs; and both the franchisor and the franchisee should have a strong legal protection.

Keywords: Franchise agreement, technology transfer, legal protection, Indonesia

Introduction
Franchises are a type of expanding commercial transactions in Indonesia, where contracts are founded on the notion of contractual liberty (Amiruddin, Annisa, & Putra, 2017; Center, 2020; Hernanto & Santiago, 2022; Maulidiana, 2017). Indirect foreign ownership of land or other assets is also prohibited in Indonesia. Establishing an Indonesian foreign investment firm, which would later be the estate's actual proprietor, is the typical process through which international businesses can own territory or other

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Introduction

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assets in Indonesia. Franchising is the sole possession of a corporate structure with particular features that has been demonstrated to be effective and can be utilized by other entities under the terms of a licensing agreement by an individual or an organization unit (Mehdipour & Bagheri, 2021; Priyono, Riyanto, & Priyono, 2022).

With regard to the amount of corporate entities and the influx of fresh companies that have energized the marketplace, the expansion and advancement of the franchising industry in Indonesia has been moving pretty well recently. According to the Directorate General of Domestic Commerce, Ministry of Commerce, there were 698 trademarks with 24.4 stalls in Indonesia in 2016. Of these, 63% were native franchising and 37% were enterprises from abroad (Melati, Chairi, & Sembiring, 2020).

The Franchise system was first introduced in Indonesia in 1950s when automotive dealers were allowed to give licenses to their ancillaries. Later, in 1970s, the automotive dealers were granted the license to to manufacture automobiles (Center, 2020; Triasih & Muryati, 2020). In next one decade, there was a significant growth of local franchises with local brands such as Es Teler 77, Homes 21, and Trims Mustika Citra started entering into the franchise arrangements aggressively. In the 1990s, McDonald's became the benchmark of the success of the Indonesian franchise market (Priyono et al., 2022).

Franchise is part of economic institutions that are now growing rapidly, even crossing the boundaries of state jurisdictions. In Indonesia, the development of the franchise system is most prevalent in companies. Given the potential in this kind of franchise model, there are a variety of real advantages for both franchisors and franchisees along with immediate advantages for customers in terms of quality management verification (Priyono et al., 2022). From a broad viewpoint, the rising social demand in purchasing franchises has had a major beneficial impact on the local economy. For instance, a franchise in beverage and food industry will undoubtedly involve vendors, shipping, consumers, and other company networks during its daily operations (Center, 2020).

Feeling the need of legislation due to the rapid growth in the franchise market, the Indonesian government introduced its first regulation, Government Regulation No. 16 of 1997, regulating franchising, through the Ministry of Trade, and general regulations relating to franchising. Since then several legislations govern the franchising activities in Indonesia including Government Regulation No. 42 of 2007 on Franchise; Regulation of the Minister of Trade No. 53/M-DAG/PER/8/2012 on the Implementation of Franchise; Regulation of the Minister of Trade No. 53/M-DAG/PER/9/2014 on Amendment of Regulation of the Minister of Trade No. 53/M-DAG/PER/8/2012 on the Implementation of Franchise; Director General of Domestic Trade Decree No. 16/11N/KEP/3 of 2014 on the Technical Guidelines for Franchise Implementation; and Regulation of the Minister of Trade No. 60/M-DAG/PER/9 of 2013 regarding the Obligation to Use Franchise Logo (Dube & Mutalib, 2021).

Prior to registering with the Indonesian Ministry of Trade, a franchisor should meet certain requirements such as having specific business characteristics, should be running a profitable venture; must have established standard operating procedures (SOPS) for goods and services as a part of franchise; should be able to provide sustained support to the franchisee; and must have a registered intellectual property rights (IPR) in Indonesia. Of these requirements, the last one of registering with

Intellectual property rights (IPR) in Indonesia, is the focus of the current study. Under a franchise agreement, the intellectual property rights are exploited since it involves transfer of both tangible and intangible rights including trademarks, trade secrets, patents, copyrights etc. closely associated with the transfer of IPR is the transfer of Technology (ToT).

The issue of technology transfer is vital to all developing countries since their economic development much depends upon industries (Arini, Sudibya, & Karma, 2021). The UNCTAD (United Nations Conference on Trade and Development) drafted an International Code for the Transfer of Technology (ToT), in which ToT has been referred to as a process by which science and technology are assimilated with the human activity, whereby the human recipient under technology transfer should acquire the capability to manufacture itself a product whose quality is comparable to that manufactured by the technology supplier (UNCTAD & Treatment, 2012). Franchising is considered to be one of the preferred methods for transferring technology. In fact, the know-how comprising a typical franchise license is legitimately seen as a "technology transfer" from developed economies to the developing ones.

As a developing economy, therefore, Indonesia needed to analyze the legal challenges to franchisee system and whether there are hindrances to the transfer of technology (Arini et al., 2021). The Law of the Republic of Indonesia on Investment, namely the Law of the Republic of Indonesia Number 25 of 2007, particularly addressees to the ToT and prepares to build a good foreign capital to facilitate the establishment of franchisee laws in Indonesia. Consequently, the Indonesian regulation of technology transfer to Multinational Companies (PMN) complies with the provisions of the Law of the Republic of Indonesia No. 25 of 2007, especially Article 2 paragraph 1 of the Law. In addition, Indonesia has been following the provisions of GATT and WTO related to national economy and trade and ratified them through its Law of the Republic of Indonesia Number 7 of 1994. This law included provisions related to intellectual property rights (IPR). Likewise, in accordance with the provisions of TRIPs, there exist Law of the Republic of Indonesia No. 14 of 2001 on Patents, Law of the Republic of Indonesia No. 15 of 2001 on Brands, and the Law of the Republic of Indonesia No. 19 of 2002 on Copyright, and others covered as objects of intellectual property rights (IPR).

Based on these facts, there are two issues that were raised in this study: first, whether the franchise agreement laws in Indonesia have considered international provisions in the field of technology transfer, especially the International Draft Code of Conduct on Transfer Technology. Second, whether the franchise agreement as legal instrument of technology transfer have been reviewed and admitted as formal legal instruments.

Problem Statement

Considering its position as a participant of the convention, the government and the people of Indonesia cannot use technology from other countries without first entering into an agreement with the government and the people of other countries as technology owners (Arini et al., 2021). However, it must be realized that in entering into agreements with the government and the people of other countries as technology owners, basically the position of the parties is not equal, in the sense that technology owners are more

dominant in determining the terms of the agreement. The capability of the franchisee stakeholder to build and operate the franchise business according to the policies, regulations, and guidelines established by the operator determines whether a company with a franchise model will succeed or fail. Every franchise agreement needs to adhere three rules: it must be truthful and transparent, each clause must be equitable, and the terms of the contract must be enforceable in court (Fuditia, 2021).

Owing to these ratifications and compliance to international agreements, Indonesia until now has not enacted its own laws regarding technology transfer agreements (Arini et al., 2021; Shmeleva et al., 2021). Since technology transfer agreements must be subject to applicable treaty laws. The general provisions of the agreement stipulated in book III of the Civil Code (title I to title IV) apply also to agreements relating to technology transfer. This is based on the provisions of Article 1319 of the Civil Code, which stipulates that all agreements either having a specific name or not being known by a particular name, are subject to general regulations. The provisions of the Civil Code follow the principle of freedom of contract as stated in Article 1338 paragraph (1). With the principle of freedom of contract, then legal subject can enter into any agreement as long as the agreement meets the requirements of the validity of an agreement listed in Article 1320 of the Civil Code. Thus the principle of freedom of contract prohibits interference from the state/government to the agreement made by the parties. Based on this, the agreements on the transfer of technology should not be intervened by the state/government (Arini et al., 2021).

Science and technology has played a big role in the development of the present and the past economic institutions. The legal aspects pertaining to the economic field have been much affected as there is a great need to understand the foundation and regulation of economic relations (business) due to their increasingly complex nature. The current study aimed to study how the use of science and technology helped the transfer of technology to produce a product, or the application of a process or to bring a service like franchisee. A lot of franchisees in Indonesia have ended up with transdisciplinary breakthroughs and cross-sectoral cooperation, due to a significant technology transfer network (Shmeleva et al., 2021). This also includes the legal protection of patent owners, industrial designs and brands (Arini et al., 2021).

Literature Review

- Franchise registration laws and regulations

A franchise is defined as "a contractual relationship between a franchisee (usually taking the form of a small business) and a franchisor (usually a larger business) in which the former agrees to produce or market a product or service in accordance with an overall 'blueprint' devised by the franchisor". A franchisee is expected to manufacture or sell goods and services according to the franchisor's specification. In return, the franchisors, as per the franchise agreement, authorize franchisees to use their business format, and may label such transactions as licensed venture or a joint venture. A Franchise is a form of licensing arrangement between a franchisee and franchisor which grants the franchisee, through a franchise agreement, access to use the proprietary knowledge, processes, technical know-how and other intellectual property rights of the franchisor, to enable the franchisee trade in the product or service of the franchisor

under the trade name of the franchise (Budiana & Scolastika, 2021).

Government Regulation No. 42 of 2007 concerning Franchise defines franchise as “a special right owned by an individual or a business entity to a business system with unique business characteristics that have been proven successful in marketing goods and/or services and can be utilized and/or used by other parties based on a franchise agreement. Thus the Indonesian law provides a franchise specific rights that belong to a person or a formal organization to a unique organizational model that has been able to sell services and/or products and that may be utilized by some other group in accordance with a franchise agreement. Due to the state’s lack of direct investment requirements and emphasis on teamwork, franchising is a powerful strategy for growing market connections and addressing contemporary difficulties. To put it another way, franchising is a type of collaboration built on an advantageous collaborative investment partnership among the owner and the franchisee (Atsar, 2016).

Franchising in Indonesia has served as an alternative route for foreign investments as several foreign companies entered into collaboration with local business entities, particularly those which were closed to foreign investment. The government through the Ministry of Trade felt the need to enact legislations to regulate franchising activities, including Government Regulation No. 42 of 2007 on Franchise; Regulation of the Minister of Trade No. 53/M-DAG/2012/8/2012 on the Implementation of Franchise; Regulation of the Minister of Trade No. 53/M-DAG/PER/9/2014 on Amendment of Regulation of the Minister of Trade No. 53/M-DAG/PER/8/2012 on the Implementation of Franchise; Director General of Domestic Trade Decree No. 16/11N/KEP/3 of 2014 on the Technical Guidelines for Franchise Implementation; and Regulation of the Minister of Trade No. 60/M-DAG/PER/9 of 2013 regarding the Obligation to Use Franchise Logo.

Besides, there were regulations specific to particular segments such as food and beverages, with the advent of global food companies like McDonald and KFC, which thrive only on the franchisee system, laws were enacted like Regulation on the Minister of Trade No. 58/M-DAG/PER/9/2014 on the Partnership Development in Franchising for Food and Beverage Services. For monitoring and promoting franchises in Indonesia and assisting local businesses, there are three main franchise associations in Indonesia, namely (1) the Indonesian Franchise Association (AFI); (2) the Indonesian Franchise and License Association (WALI); and (3) the Indonesian Franchise Entrepreneurs Association (APWINDO) (Pohan, 2020).

- *Franchisees and technology transfer*

The existence of necessity to avoid the parties to put challenges to validity clause is closely related to the legal protection of the technology being transferred, because it should be the main problem in technology transfer agreements. This relates to the issue of whether the technology transferred has legal protection, whether the legal protection is still valid, who is entitled to the legal protection. Under the existing situation of fast political and social dynamic change brought on by uncontrolled technology progress, the adoption of effective technological transfer has acquired critical interest (Nicodemus & Egwakhe, 2019). In such a setting, technology transfer (TT) plays a crucial role in boosting businesses' viability with technical innovation and advancement, as well as in the socio-

economic growth of nations and regions (De Moortel & Crispeels, 2018). Among the provisions that are important in the International Draft Code of Conduct on Technology Transfer, hereinafter referred to as TOT-Code, are provisions relating to restrictive business practices, as a manifestation of protection for technology recipients. The purpose of such restriction is to prevent the possibility of technology suppliers limiting technology recipients to adjust the technology implementation according to the circumstances and needs that surround them.

The freedom to adapt the franchise system to the local situation may result in the franchisee being able to be creative in carrying out technological innovations especially aspects of know-how or knowledge or even finding their own technology to obtain adaptation to the application. This also shows that the parties have the right to formulate an agreement clause that is far from the practice of restriction an adaptation as one form of RBP that is prohibited by the TOT-Code. There are several clauses that are considered highly relevant to the franchise agreement, namely challenges to validity, exclusive dealing, price fixing, restriction and adaptation, tying arrangement.

Research Method

A normative legal research design was adopted to review the prevailing laws and regulations (Hartono, 1994). A normative legal research is often referred to as qualitative research; hence, it does not limit itself to one law nor recognize any population or sampling (Hadjon & Djatmiati, 2005). The findings of normative law study are prescriptive in character since they outline how individuals must act to uphold the standards. Normative business law confines itself to the analysis of the law as an entity and excludes any non-legal information from its domain (Christiani, 2016). To go back to the topic of business law, understanding the motivations behind the temptations that exist in business structures for executives to operate in their own self-interest as opposed to the interests of the individuals they perform for does not, by itself, produce a normative assessment of that framework. It is helpful to make a distinction among internal and exterior contexts in order to tackle the problem of discovering and constructing a normative framework methodically (Kestemont, 2015).

The scientific value of a discussion and problem solving of the legal issues under study depend on the approach used (Johny, 2006). Since this research is related to technology transfer and franchise, three types of approaches could be used: the analytical approach, the philosophical approach, and the statute approach. The first two approaches, the analytical and philosophical, perform theoretical inquiries into notions under consideration. As opposed to these two approaches, the statutory approach makes it easier to perceive the legal principles. It is therefore also known as legislative approach as it uses primary legal material. The data was collected from the existing books and literature of law, focusing on the relevant legal terminology, research reports relating to technology transfer and franchise. A few franchise agreement practices were also reviewed from the International Code of Conduct on Transfer of Technology (TOT-Code). As the second step, to meet the research objectives, the arrangement of franchise agreement as legal instrument of technology transfer was reviewed.

Results and Discussion

The number of franchises in Indonesia has increased despite the regulation that each franchisor is required to register the franchise offer documents with a disclosure statement and each franchisee is required to register the franchise agreement and procure a Franchise Registration Certificate (Surat Tanda Pendaftaran Waralaba / "STPW") after completing the registration. It is illegal to operate a franchise without obtaining the STPW, failing which there would be fines and/or revocation of business licenses (Gamidullaeva & Tolstykh, 2020). It is also mandatory for a franchisor to engage an intellectual property firm to assist in mark search through the office of the Directorate General of Intellectual Property (DGIP) and try to find out whether there is any potential infringement activity or any marks violate the franchisors' copyright and/or patent marks.

Currently, there are two major regulations that govern franchising in Indonesia: first, Government Regulation No. 42 of 2007 concerning Franchising; second, Minister of Trade Regulation No. 71 of 2019 concerning the Implementation of Franchising (the 2019 Franchise Regulation). The current study found out how franchise agreement practices are reviewed from the international code of conduct on transfer of technology (TOT-code). However, from the point of view of TOT-Code, there also exists Franchise Agreement Practices Reviewed from the International Code of Conduct on Transfer of Technology (TOT-Code), which includes provisions for registering franchisor trademarks as one form of restrictive business practices. This bears specifically the challenge to validity clause which is prohibited by TOT-Code and formulated in chapter 4 of TOT-Code with the formulation requiring the obtaining party to abstain from contesting the authenticity of any patents. Likewise, the TOT-Code also covers other forms of intellectual property associated with the transfer of technology, there is also the applicability of any additional subsidies claimed or acquired by the providing group, while acknowledging that any disputes arising from a successful challenge to these obligations and liabilities will be decided by the relevant legislation and the conditions of the agreement, to the authority granted by the legislation.

It could even further give the appearance of an exclusive dealing clause in the franchise agreement, which is actually prohibited in the TOT-Code. The exclusive dealing clause is formulated in the TOT-Code which can be classified as restrictive business practices (RBP) as limitations on the obtaining group's liberty to join into revenues, depiction, production, or contracts pertaining to comparable or competing innovations or goods, or to acquire competitive innovation, when such constraints are not necessary to ensure the accomplishment of sovereign rights, especially along with protecting the privacy and security of the transmitted technology or best effort allocation or advertisement commitments (De Moortel & Crispeels, 2018).

The price fixing in the TOT Code is formulated as establishing restrictions on the pricing that acquiring parties in the market, where the information was transmitted, may charge for goods or services created utilizing the transformational approach. From the provisions prohibiting the fixing of price fixing, it is clear that the determination of the technology transfer price charged by the technology supplier to the technology recipient must be in accordance with the technology price in the

market, so that the technology supplier has limited authority in setting prices. For instance, related to the obligation to buy foodstuffs classified as "spice formulations" in a food franchise agreement, the franchisees do not have the right to determine their own suppliers. Due to the franchise agreement, it was agreed upon to only buy from the franchisor, it is likely that prices are fixed from the franchisor, which can be categorized as an RBP action. This shows that a franchisee in a food franchise agreement cannot accept supplies of food, materials and equipment from other vendors except the franchisor or the franchisee must accept supplies from vendors approved by the franchisor. Thus,

The restriction and adaptation clause is formulated in the TOT Code as restrictions that inhibit the obtaining group from acclimating the imported advanced technologies to local circumstances or presenting inventions in it, or that force the obtaining group to make undesired or superfluous layout or configuration adjustments, provided that the obtaining party creates the adjustments on his own initiative and without utilizing the title, commerce or registered trademark, or company names of the technology providing group, and except to the degree that this acclimatization unsuitably affect those items.

TOT-Code formulates tying arrangements as requiring acknowledgement of additional technology, prospective innovations and advancements, products or services the gaining party does not desire or [unduly]** limiting supplies of advanced technologies, products or services, as a prerequisite for gaining the infrastructure necessary when it is not necessary to keep the effectiveness of the good or service when the gaining party uses the company's commerce or registered trademarks or other identification element, or to satisfy a particular contractual obligation which the provider has agreed to.

In Indonesia, a franchisor is required to give the franchisee a draft of the licensing agreement minimum two weeks before it is to be executed. There is no explicit provision stating that if there is a discrepancy in understanding between the Indonesian and English contents, the Indonesian edition of the Licensing Agreement must take precedence. However, the Franchise Agreement must be converted into the Indonesian language. Indonesian law must be applied to the Franchise Agreement. The participants to the franchise system must also abide by all applicable rules and regulations, including those pertaining to consumer safety, jobs, health and safety training, the ecology, and proprietary information. The assurances and set of guiding principles to the franchisor by people or organizations are not governed by Indonesian franchise laws. Nevertheless, Indonesian franchise agreements sometimes involve the granting of an assurance, which is normally governed under the Indonesian legal code. Constructing dependable specialized statistical systems for the transfer of technology services industry, rules and guidelines for technology transfer facilities, enhanced economic price strategy, improved regulations for recognizing innovation agreements, and improved enrollment rules are all necessary to raise the caliber of technology transfer facilities. In general, extensive adherence to similar standards enables communication among many parties involved in technology transfer (Kathuria, 2022).

Discussion

Arrangement of a Franchise Agreement as Legal Instrument of Technology Transfer

Based on the discussion above, it is no exaggeration to say that the RBP practices or opportunities for the practice to occur appear in franchise agreements in Indonesia. These practices appear in the form of agreement formulation which show the actions of challenges to validity, exclusive dealing, price fixing, restriction an adaptation, tying arrangement. This can hamper the franchisee's ability to apply the expected know how or knowledge through its legal relationship with the franchisor.

The absence of national legislation governing franchising can also be one of the reasons for parties not to trust the ability of the judiciary or national arbitration agency to decide on the possibility of disputes that will arise. For this reason, the parties feel safer and more confident when choosing a foreign arbitration institution as an institution for examining and resolving disputes and at the same time choosing the place of examination tends to be in the State franchisor. This also results in a heavy cost burden for the franchise, which generally has lower economic capabilities than the franchisor (Faujura, Gultom, & Sudjana, 2021).

The most important factor for the formation of legislation in the franchise sector is the development of the growth of business units operating through the use of a franchise system from a foreign franchisor showing the rapid and objective needs of the Indonesian people for technological mastery, including the know-how and knowledge of the owner of foreign technology as a means to achieve the acceleration of the nation's economic growth. With these laws and regulations, it is expected that any technology transfer agreement, including franchises, will not make the Indonesian people more dependent on foreign technology owners

Meanwhile the international community has so far not been able to agree on legal methods governing the issue of technology transfer as a binding principle. However, at least the international community through UNCTAD has contributed a set of formulations of methods that can be used as national legal methods by countries with an interest in technological progress through the process of technology transfer. These methods are the methods as contained in the TOT-Code, especially chapter 4. The hope that these methods will become binding international law through international conventions, seems to be too far away. This has been proven since the sixth session held in 1985, until now there have been no more attempts to make it a binding international law. Thus, Indonesia cannot expect that the interests of the transfer of technology will receive protection from the development of international law. For this reason, Indonesia must prepare its own legal arrangements for technology transfer agreements, especially franchise agreements, including by accepting UNCTAD's legal methods in TOT-Code into national law (UNCTAD & Treatment, 2012).

Besides receiving the methods formulated in the TOT Code, several other things should also be considered to be regulated, such as the necessity to choose Indonesian law and judicial institutions or Indonesian arbitration institutions as dispute resolution institutions that arise as well as prohibitions on imposing obligations on unrelated franchisees directly with key achievements such as the obligation to provide administrative reports and bookkeeping to the franchisor. The next problem is what form of legislation governing franchise agreements. Considering that the

franchise agreement deals with the rights and obligations of the parties, while the need for such regulation is generally intended to avoid excessive liability to the franchisee and the formulation of sanctions, the regulation should be in the form of Law (Act). With the regulation in the form of a law, it will reflect the needs of the community better including the business community.

Mehdipour and Bagheri (2021) examined how the franchise agreement affected world commerce. The franchise agreement is among the agreements that is typically recorded following the emergence and licensing of private property, and particularly with the growth of trademark protection. As the holder of the intellectual property rights the originator and the franchisee engage into a licensing agreement. The franchise agreement is a written agreement that reflects all facets of this operation, including the parties' duties and obligations, the cost of the brand, the length of the franchisor's interactions, payments between the franchisor and the franchisee, and the banning of competitive pressures. Franchise system has emerged as one of the most successful methods for business growth and financial gains in this nation.

Related to the formation of law, the function of law cannot be avoided, bearing in mind the formation will face the questions whether the law aimed at overcoming conflicts that arise in society by more receptive to other social norms. Whereas for people who develop in a planned manner as Indonesia, the function is no longer adequate, because the formation of law is more intended as an effort to change society by anticipating future events and here the role of legislation is more. Hence, the formation of a franchise law requires a long time as in general in the formation of the law, while the regulation is felt to be increasingly urgent, then the steps can be taken in the form of government regulations, as an intermediate arrangement before the legislation was formed. This is because in a franchise agreement there is always a brand license. Even some experts claim that the heart of a franchise agreement is the granting of a trademark license (Mehdipour & Bagheri, 2021).

On the other hand, the reception of the terms of the TOT Code agreement in national law are expected that other developing countries will do the same, so that they will make a meaningful contribution to the process of forming these methods into international law through the formation of customary law. This is due to the TOT-Code basically reflecting the desire of developing countries to form legal rules for technology transfer in an effort to expedite the flow of technology transfer to developing countries.

Conclusion and Recommendations

In Indonesia, where agreements are based on the idea of contractual freedom, franchising is one sort of extended financial transactions. The rights and obligations of the proprietor and the franchisee to lease and resale an agency's copyrights are outlined in a franchising agreement. The aims of this study were to analyze the franchise agreement in relation to the universal guidelines for conduct on technical assistance and the potential management of Indonesian franchise agreements. In first step, Franchise Agreement Practices were reviewed from the International Code of Conduct on Transfer of Technology (TOT-Code). In the second step, the arrangement of a Franchise Agreement as Legal Instrument of Technology Transfer was reviewed.

Franchise agreements can be a means of technology transfer, especially for non-statutory protection technologies in the form of know-how or knowledge that is directly related to products, goods or services and other matters that are not directly related to the product such as presentation methods, marketing methods, administration method, bookkeeping is a unity of the trademark image standards of the technology owner's. The principle of franchise agreement that applies in Indonesia is not against and pay attention to the principles stipulated in the TOT-Code, which is evidenced by the stipulation of clauses in the franchise agreement which is an implementation of the principles of the TOT Code.

Arrangements for franchise agreements in Indonesia in future should be regulated in separate laws. This is based on a fact because the development of franchise agreements in Indonesia has grown rapidly which covers aspects of business activities such as franchising in the fields of hospitality, food, services, mini markets, and others. The franchise arrangement focusses more on legal protection for Indonesian entrepreneurs, remembering that the form of a franchise agreement is a standardized agreement that carries the consequences of an unequal position of the parties. In order to increase technology mastery for Indonesian entrepreneurs, which is obtained through franchise agreements with foreign entrepreneurs as technology owners should have a strong legal basis, namely the law. The assessment of the suggested designs from the viewpoint of specific ecological characters, taking into consideration factors like information and technology swap, the adoption of inventions, and information credibility, including both financial and non-monetary metrics, are encouraging directions for future research.

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