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Legal Consequences Of Unilateral Termination Of Distribution Contract By Principal Company Against Distributor

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Abstract : A valid agreement shall apply as law to the parties. The agreement is binding on the parties and cannot be revoked or cancelled unilaterally only. If you want to withdraw or cancel it, you must obtain the consent of the other party, so it is agreed again. However, if there are sufficient reasons according to the Law, the agreement may be withdrawn or canceled unilaterally. in Article 1338 paragraph (2) of the Civil Code. states that: "such agreements shall be irrevocable other than by agreement of both parties, or for reasons which the Act declares sufficient therefor". From Article 1338 paragraph (2) of the Civil Code, it is clear that the agreement cannot be canceled unilaterally, because if the agreement is canceled unilaterally, it means that the agreement is not binding between the people who made it. Article 1266 and article 1267 of the Civil Code which reads "the party against whom the engagement is not fulfilled, can choose whether he, if it can still be done, will compel the other party to fulfill the agreement, or whether he will demand the cancellation of the agreement, accompanied by reimbursement of losses and interest." So it is clearly stipulated regarding the condition of void if one of the parties does not fulfill its obligations. The cancellation must be requested to the court through a lawsuit, this is intended so that later no party can cancel the unilateral agreement on the grounds that one of the other parties does not carry out its obligations (default). One of the considerations for the cancellation of a unilateral agreement can be sued with a lawsuit against the law, because it is considered that unilateral cancellation is not based on the reasons justified according to their agreement to be canceled, and can be said to have violated their legal obligations under the law, in this case violating Article 1338 paragraph (2) of the Civil Code.

Keywords : Legal Consequences, Unilateral Termination of Contract, Distributor.

1. Introduction

In trade practice, it is known that not only industrial and assembly companies or private companies or state-owned enterprises carry out imports from abroad to Indonesia for their purposes, but also companies that bescome agents or distributors of companies abroad that bring in these imported goods. Of course, what industrial and assembly companies do, on the one hand agents and distributors, on the other hand is not always a separate activity and has nothing to do with one another. Their activities can actually support each other. The agent acts as a dealer to market goods produced by other companies both domestically (including industrial and assembly companies) and from abroad.

Although in practice there are known agency companies, but existing national legislation has not specifically regulated it. General provisions that apply are legal provisions governing the law of engagement and granting of power. Other regulations are special regulations issued by each Technical Department or Government Institution (including State-Owned Enterprises). In essence, business in

the agency sector is an intermediary service to carry out certain business transactions that connect one business actor with another business actor, or that connects business actors with consumers on the other party. In today's era of globalization, the position and function of agencies play a strategic and significant role in bridging the needs of business actors on the one hand with consumer needs on the other.Therefore, principal companies and distributors (agents) 1 need an agreement (contract) that becomes a source of engagement in the contractual relationship between principal companies and distributors (agents).

Buku III of the Civil Code explains about "the subject of perikatan". The word "engagement" (verbintenis) has a broader meaning than the word "agreement", while what is meant by "engagement" by book III of the Civil Code, is: a legal relationship (concerning property property) between two persons, which gives the right to one to demand goods from the other, while the other person is obliged to fulfill the demand. So the contents of book III are also called "debt law", the party who has the right to sue is called the debtor or "creditor", while the party who is obliged to fulfill the claim is called the debtor or "debtor". aand an item that can be claimed is called an "achievement", which by law can be: (1) surrender an item; (2) doan act; and (3) do not do an act.2

The parties who agree on the things agreed, are obliged to obey and carry them out, so that the agreement gives rise to a legal relationship called engagement (*verbintenis*). Thus, a contract can give rise to rights and obligations for the parties who make the contract, therefore the contract they make is a formal source of law, provided that the contract is a valid contract.

Contract or contract (in English) and overeenkomst (in Dutch) in a broader sense are often referred to as agreements, although in later descriptions the author uses the term contract for agreements that actually have almost the same meaning. A contract is an event in which two or more people promise each other to perform a certain deed, usually in writing.3

Lawrence M. Fridman defines a contract as "a legal instrument that only regulates certain aspects of articles and governs certain types of agreements" here Lawrence M. Fridman does not elaborate further on certain aspects of certain articles and types of agreements.4

Article 1233 of the Civil Code states that every engagement is born either by consent, or by law, which can be interpreted to mean that an engagement is born by agreement or statute, in other words law and agreement is the source of the engagement5

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[1] Ezra Ridel Moniung," *Agency and Distributor Agreement in Civil Law Perspective*", Lex Privatum, Vol.III/No. 1/jan-mar/2015.

[2] Subekti, *Pokok-Pokok Civil Law,* Jakarta, PT. Intermasi, 2001 hlm. 122-123

[3] Abdul R.Saliman, *Business law for enterprises (theory and case examples),*(Jakarta, Kencana, 2010) p. 45

[4] Salim HS, *Contract Law, Contract Drafting Theories and Techniques*, (Jakarta, Sinar Grafika, 2003) hlm.12

[5] J. J. is the one*, the law of engagement, the engagement born of the covenant*, Second Print (Bandung: Citra Aditya Bakti, 2001), p. 3.

According to Article 1313 of the Civil Code, the definition of a covenant is an act by which one or more persons bind themselves to one or more other persons. From the formulation of the original p, it can be concluded that what is meant by the agreement in the article is an agreement that gives rise to an engagement *(verbintenisscheppende overeenkomst)* or an obligatoir agreement.

The need for a company that can be an intermediary to expand the marketing network of goods and services from producers to consumers has led to the existence of agency companies in Indonesia. Meanwhile in the Indonesian legal system. Especially in civil law and commercial law there is no provision on agency. Of course, with such a large population density population level, it is an extraordinary market potential. Producing countries certainly have their own interests so that their products can be sold in the market.

The government responds to developments in the business world and therefore in order to strive to foster and develop industry, in its development there are several implementing provisions governing agency have been issued which among others are the Decree of the Minister of Industry and Trade NO.23 / MPP / KEP / I / / 1998 concerning Institutionsembaga Usaha Perdagangan (Kepmen No.23/1998) as later amended by the issuance of Ministerial Decree No. 159/MPP/Kep/4/1998 concerning Amendments to Decree of the Minister of Industry and Trade No.23/MPP/Kep I/1998 concerning Trade Institutions.

As stated in the Review Report on Some Legal Aspects of Agency and Distribution Agreements prepared by the National Legal Development Agency of the Ministry of Justice in 1992/1993, the following are the results of his research. Where the agent in carrying out legal actions with third parties, his position is the power of principal. The agent is not the principal employee. Legal acts relating to trade transactions that must be carried out by agents for their principals are regulated in the agency agreement concluded between the agent and his principal. Usually the agent is authorized and authorized to carry out the sale and promotion of principal goods. In relation to agents in their activities acting on behalf of their principals based on the grant of power, the legal relationship between agents and their principals, in nature, is not like the relationship between employers and workers.

The relationship between the principal company and the distributor (agent) is not subject to labor law, but is subject to a power of attorney agreement between the principal as the power of attorney and the distributor or agent as the power of attorney. In labor agreements the most important thing is the provision of labor solelyby obtaining wages, in addition there is a lower position of the worker than the employer, which is not found in the relationship between agent and principal. The agent acts to perform a legal act for example selling goods or services not in his own name but in the name of the principal. The agent in this case is positioned as an intermediary. If the agent enters into a transaction (negotiation) with the consumer/third party, the goods are delivered directly from the principal to the consumer. Payment for goods that have been received by consumers directly to the principal not through an agent, while payment to the agent is in the form of a commission from the proceeds of sales. The rights and obligations of the parties are set forth in the agency agreement which is boasted based on the principle of

freedom of contract so that if it is litigated, the relationship that occurs between the agent and its principal is subject to the power of attorney agreement as stipulated in the provisions of Article 1792 of the Data Code.

Regarding the relationship between distributors and their principals to market and sell principal goods within a certain area and period of time based on mutual agreement. distributors are appointed by the principal. In this situation, usually the distributor is not in the position of principal power, buti act on his own behalf as an independent trader (*independent trader*). Distributors buy their own goods from the principal to sell later. As a legal consequence of the distributor's actions, everything becomes the responsibility of the distributor himself. The legal relationship that occurs between the distributor and its principal is subject to the commission agreement.[6]

2. Methods

The type of research used in this writing is normative juridical research. Normative juridical research is research conducted by examining legal materials as basic materials for research by conducting searches on regulations and literature related to the problem under study.[7]

The approach used in this study is the *statutory approach (statute* approach) and conceptual approach (*conceptual approach*). The statutory approach is an approach taken by examining all laws or regulations related to the legal issue under study. While the conceptual approach is an approach that departs from the views and doctrines that develop in legal science, [8] researchers can find ideas that can give birth to legal understanding, legal concepts and principles that are relevant to the issue being studied. An understanding of views and doctrines as mentioned above can be relied upon by a researcher to build a legal argument in solving the issue under study.[9]

3. Discussion

A. Legal Effects of Unilateral Termination of Distribution Contract by Principal Company to Distributor

A valid agreement cannot be withdrawn unilaterally. The agreement is binding on the parties, and cannot be revoked or cancelled unilaterally only. If you want to withdraw or cancel it, you must obtain the consent of the other party, so it is agreed again. However, if there are sufficient reasons according to you, the agreement can be withdrawn or canceled unilaterally.[10] Sehow it is listed in Article 1338 paragraph (2) of the Code. Civil. states that: "*such agreements shall be*

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[6] Ari Wahyudi Hertanto," Legal Aspects of Perjanjian Distributor and Agency", Hera lot Journal of Law and Development Year 37 No.3 July-September 2007

[7] Suratman and Philips Dillah. (2015), Legal Research Methods**,** Alfabeta Bandung, h. 51

[8] *Ibid. hlm 104*

[9] Djulaeka &; Devi R,(2019). Textbook of Legal Research Method, Surabaya: Scopindo Media Pustaka, p 32

[10] Frans Hendra Winarta. 2012. Indonesian and International National Arbitration Dispute Resolution Law.
Jakarta. Publisher : Sinar Grafika.

irrevocable other than by agreement of both parties, or for reasons which the Act declares sufficient therefor".

From Article 1338 paragraph (2) of the Civil Code, it is clear that the agreement cannot be canceled unilaterally, because if the agreement is canceled unilaterally, it means that the agreement is not binding between the people who made it. If viewed from Article 1266 and Article 1267 of the Civil Code which reads "the party *against whom the engagement is not fulfilled, can choose whether he, if it can still be done*, will *compel the other party to fulfill the agreement, or whether he will demand the cancellation of the agreement, accompanied by reimbursement of costs and interest.*" So it is clearly stipulated regarding the condition of void if one of the parties does not fulfill its obligations. The cancellation must be requested by the court, this is intended so that later neither party can cancel the unilateral agreement on the grounds that one of the other parties does not carry out its obligations (default).[11]

One of the considerations for the cancellation of a unilateral agreement can be sued with a lawsuit against the law, because it is considered that unilateral cancellation is not based on reasons justified according to their agreement to be canceled, and can be said to have violated legal obligations that also exist outside each agreement, namely to always have good faith and act in accordance with propriety and prudential principles. Termination of the agreement, indeed regulated in the Civil Code, namely Article 1266 which reads *"The brick term is considered to always be included in reciprocal agreements, when one of the parties does not fulfill its obligations. In such case the consent is not null and void, but the annulment must be sought from the Judge. This request must also be made, although the void condition regarding non-fulfillment of obligations is stated in the agreement. If the condition of nullity is not stated in* the *agreement*, the *Judge is free to according to the circumstances, at the request of the defendant, grant a period of time still testing his obligations, which period but not more than one month.*" It must meet the conditions that the agreement is reciprocal, there must be a default and its cancellation must be asked by the judge (court).

A dispute that has been based on an agreement that has been unilaterally canceled can be sued *with* the concept of unlawful acts. This shows the possibility of a relationship or similarity in concept between default and unlawful acts, because both are basically acts that violate the principle of decency in society, causing harm to other parties. In terms of proving the elements of unlawful acts in unilateral cancellation of agreements, it should again refer to the theoretical perspective of the concept of unlawful, namely by using the understanding of the concept of unlawful in a broad sense, namely that unlawful acts not only violate a written regulation, but can also be caused by violations of the subjective rights of others, contrary to the legal obligations of the perpetrator, violate the rules and decency, and contradict the principles of propriety, thoroughness and prudence that a person should have in association with a citizen of society or towards the

[11] Laws and Codes Civil Law (KUHPerdata)

property of others in the sense that it is contrary to a good attitude in society to pay attention to the interests of others.[12]

Default has a very close relationship with subpoena. Default is not fulfilling or neglecting to carry out obligations as specified in the agreement made between creditors and debtors. In the restatement of the law of contracts (United States), default or breach *of contracts is divided into two types, namely total breachts and partial breachts. Total breachts mean the execution of the contract. It is impossible to implement, while partial breachts mean that the implementation of the agreement is still possible to implement.*

There are two causes for compensation, namely compensation due to default and unlawful acts. Compensation for default is regulated in Book III of the Civil Code, which starts from Article 1243 of the Civil Code to Article 1252 of the Civil Code. Meanwhile, compensation for unlawful acts is regulated in Article 1365 of the Civil Code. Compensation for unlawful acts is a form of compensation charged to a person who has caused guilt to the injured party. The compensation arises because of a mistake, not because of an agreement. Compensation due to default is a form of compensation charged to debtors who do not fulfill the contents of the agreement that has been made between creditors and debtors. The momentum for compensation is when a subpoena has been made.

The compensation that can be claimed by the creditor to the debtor is as follows: (1). Losses he has suffered, namely in the form of reimbursement of costs and losses; and (2) The profit that was originally to be obtained (Article 1246 of the Civil Code), this is intended for interest.

Which is interpreted by costs (costs), namely costs that have been incurred by creditors to take care of the object of the agreement. Loss is the reduction of wealth caused by damage or loss. While interest is the profit that will be enjoyed by creditors. Reimbursement of such costs, losses, and interest shall be the immediate result of default and foreseeable at the time prior to the conclusion of the agreement. Article 1249 of the Civil Code stipulates that compensation for losses caused by default is only determined in the form of money. However, in its development according to experts and jurisprudence that losses can be divided into two kinds, namely material damages, and immaterial damages (Asser's 1988: 274). Material loss is a loss suffered by creditors in the form of money/wealth/objects. While immaterial loss is a loss suffered by creditors who are not worth money, such as pain, pale face, and others.13

The act of default has consequences for the right of the injured party to sue the party who committed the default to provide compensation, so that by law it is expected that no party will be harmed because of default. Default results in one party being harmed, because the other party is harmed as a result of the default, the defaulting party must bear the consequences of the counterparty claim which can be in the form of claims: (a) Cancellation of the contract (accompanied or not

[12] Frans Hendra Winarta. 2012. Indonesian National Arbitration Dispute Resolution Law and International. Jakarta.

Publisher : Sinar Grafika.

[13] Ibid, hlm 100

accompanied by compensation); (b) Fulfillment of the contract (accompanied or not accompanied by compensation). Thus, the principal possibility that can be claimed by the aggrieved party is the cancellation and fulfillment of the contract.

In the Civil Code, the regulation on losses and compensation is formulated in 2 (two) approaches as follows:[14]

1) General Indemnity, whichmeans compensation that applies to all cases, both for cases of contract default, and cases related to other engagements including unlawful acts.

   This provision on general indemnity in the Code. Civil is provided for in the fourth part of the third book, starting from Article 1243 states that "*Reimbursement of costs, losses and interest due to non-fulfillment of an engagement shall be obligatory, if the debtor, despite having been declared a defaulter, still fails to fulfill the engagement, or if something which he must give or do can only be given or done within a time beyond the specified time.*" Until Article 1252 which reads *"Notwithstanding collectible income, such as liens and rent, perpetual interest or interest during a person's lifetime, earns interest from the day on which the prosecution is made or an agreement is made The same rule applies to the return of income and interest paid by a third party to the debtor to relieve the debtor. "* in this case for such compensation, the Code. Civil consistently for indemnity used the terms:

   a) *Cost*

      What is meant by cost is any *cost* or money, or anything that can be assessed with money that has been manifestly incurred by the injured party, as a result of default of the contract or as a result of non-performance of other engagements, including engagements due to unlawful acts.

   b) *Lose out*

      In a narrow sense, what is meant by loss or loss is the condition of reducing or decreasing the value of creditors' assets as a result of default from the contract or as a result of non-performance of other engagements, including engagements due to unlawful acts.

   c) *Flow*

      It is a benefit that should have been obtained, but not obtained by the creditor because of a default from the contract or as a result of the non-performance of other engagements, including engagements due to unlawful acts. The definition of interest is broader than the definition of everyday interest which only means "interest on money" (*interest*), which is only calculated from the percentage of the principal debt.

2) Special Indemnification, whichmeans special compensation for losses arising from certain engagements. In relation to compensation arising from an unlawful act. Aside from the indemnity of the common form.

   The forms of compensation for unlawful acts known by law are as follows:[15]

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[14] Wirjono Prodjodikoro, *Unlawful Acts*, Cet-9, Sumur Bandung, Bandung, 1993, hlm. 136.

[15] *Ibid*

Article 1313 of the Civil Code provides a definition of an agreement is an act by which one or more persons bind themselves to one or more other persons. Furthermore, Article 1319 of the Civil Code mentions two groups of agreements, namely agreements that by law are given a special name or what we call named agreements (benoemde or nominaatcontracten) and agreements that in law are not known by a certain name or which we refer to as unnamed agreements (*onbenoemde* or *innominaat contracten*).[16]

Article 1320 of *the* Civil Code regulates the conditions for the validity of an agreement, namely the ability for those who make it, must reach the agreement of those who bind themselves, there must be certain things, and a lawful cause. These conditions are the basis for a person in making an agreement. If any of these conditions are not met, then the agreement may be declared null and void or cancellation may be requested.[17]

The first and second conditions are about the subject or parties to the agreement so they are referred to as subjective conditions, while the third and fourth conditions are called objective *conditions because they are about the object of an agreement. If the subjective requirements of the agreement (agreement and ability to engage) are not fulfilled, it does not result in the cancellation of the agreement, but can only be canceled by a court decision. If the terms concerning the object of the agreement (a certain thing and the existence of lawful legal causa) are not met, then the agreement is null and void.*

The word agreement in the agreement is basically a meeting or conformity of will between the parties to the agreement. A person is said to give his consent or agreement if he really wants what is agreed. Understanding agreement as a requirement of will agreed between parties. The statement of the offering party is called an offer. The statement of the party receiving the offer is called acceptance. A covenant may contain a defect of will or an agreement is presumed to be non-existent in the presence of coercion, error or error, and there is fraud, and in further development, another defect of will is known, namely abuse of circumstances.[181920]

Treaty law or contract is a translation from English, namely *contract law*, while in Dutch it is called *overeenscomsrecht*. A covenant is an event where one person promises another or *where two people promise each other to do something. From this event, a relationship arose between the two people called an*

[16] J. Satrio, The Law of Engagement, Engagement Born of Agreement, Book 1, PT. Citra Aditya Bakti,
Bandung, 2001, hlm 24.

[17] Kartini Muljd and Gunawan, Perikatan Born From Agreement, PT. Radja Grafindo Persada, Jakarta, 2003,
hlm 83

[18] *Op.Cit, hlm 164.*

[19] Mariam, Darus Badrulzaman, Various Business Law, Alumni, Bandung, 1994, hlm 24.

[20] Ibid, hlm 268

engagement. "A covenant is an event where one person promises another or where two people promise each other to do something."2122

*A treaty publishes a form of engagement between two persons which makes it the terms of which it becomes an agreement that is ang sah, Article 1320 of the Civil Code which says that fo*r the validity of a treaty four conditions are required: (1) the agreement of those who bind themselves; (2) the ability to make an engagement; (3) a particular thing; and (4) a lawful cause.

A valid agreement cannot be withdrawn unilaterally. The contract must contain conditions that must be met by both parties, if one party terminates the contract unilaterally then it violates the provisions of article 1338 paragraph (2) of the Civil Code. The agreement is *binding on the parties, and cannot be revoked or cancelled unilaterally only. If you want to withdraw or cancel it, you must obtain the consent of the other party, so it is agreed again. However, if there are sufficient reasons according to you, the agreement can be withdrawn or canceled unilaterally. Unilateral termination can only be done if the contracting party breaks the promise based on a court decision (Article 1266 of the Civil Code).*

Based on the provisions of Article 1338 paragraphs (1) and (2) of the Civil Code, a distribution agreement between a principal company and a distributor (agent) that is validly made applies as law to the parties. The parties are bound by the agreement made by them based on the principle of pacta sunt servanda. Therefore, the principal company cannot cancel the agreement unilaterally, except based on an agreement with the distributor (agent). According to Article 1266 of the Civil Code, unilateral cancellation can only be done by the principal company if the distributor (agent) has broken the promise based on a court decision. Unilateral cancellation of an agreement without a court decision is against the law (*onrechtmatige daad*), even if the opponent of the contract is suspected of default.

B. Legal Remedies of Distributors in the Event of Unilateral Termination of the Distribution Contract by the Principal Company

In Article 9 of the Minister of Trade Regulation Number 24 of 2021 concerning Engagement for the distribution of goods by distributors or agents, it is stated that the way to resolve disputes when there is a termination of the contract carried out by the company against the distributor, namely by:

1) deliberation for mufakat;
2) arbitration; or
3) judicial process in accordance with the law used.

The settlement of lawsuits is generally resolved through the examination of ordinary cases in the district court, with a wait at the end of a decision from a panel of judges who examine, try and decide cases that have been registered by one of the parties. Decisions decided by a panel of judges are sometimes not in accordance with what is expected by both parties so that what is expected by both

[21] Subekti , *Law of Treaties,* This. XII (Jakarta: PT. Intermasa, 1990), low-cost housing. 1.
[22] R.subject, *Trees Law Perdata*,(Jakarta: Intermasa, 2003), low-cost housing. 123.

parties cannot be represented by the decision given by the panel of judges who examine, try and decide cases.23

If there is a dispute over termination of the contract, it can go through two channels, namely litigation and non-litigation channels where it can be done by the distributor in the event of termination of a rights dispute According to the Big Dictionary of Indonesian (hereinafter referred to as KBBI), the definition of dispute is: (1) something that causes differences of opinion; quarrel; dispute; (1) disputes; (2) disputes; and (3) cases (in court).[24]

Sengketa is a dispute that occurs between the parties to the agreement due to a default committed by one of the parties to the agreement.[25] Situation and conditions in which people experience disputes that are factual or discordant according to their perceptions only. Dispute is a condition where there is a party who feels aggrieved by the other party, which then the party conveys the dissatisfaction to the second party. When a condition shows a difference of opinion, then there is what is called a dispute. In the context of law, especially contract law, what is meant by dispute is a dispute that occurs between the parties due to a violation of the agreement that has been stated in a contract, either in part or in whole. In other words, it is said that there has been a default by the parties or one of the parties, due to the non-fulfillment of obligations that must be carried out or fulfilled but less or excessive which ultimately results in the other party being harmed. Disputes arising between the parties must be resolved so as not to cause prolonged disputes and in order to provide justice and legal certainty for the parties. Broadly speaking, the form of dispute resolution can be done in two ways, namely the litigation route and the non-litigation route.[2627]

In the literature also mentioned two patterns of dispute resolution, namely the binding adjudicative procedure and *the nonbinding adjudicative procedure*.

1) *The binding adjudicative* procedure, which is a dispute resolution procedure in which the judge's case is binding on the parties. This form of dispute resolution can be divided into four types, namely: (a) Litigation, (b) Arbitration, (c) Mediation-Arbitration, and (d) Particle Judge.
2) *The nonbinding adjudicative procedure*, which is a dispute resolution process in which the case of the judge or appointed person is not binding on the parties. Dispute resolution in this way is divided into six types, namely: (a) Conciliation, (b) Mediation, (c) Mini-Trial, (d) Summary Jury Trial, (e) Neutral Expert Fact-Finding, and (f) Early Expert Neutral Evaluation.

The two dispute resolutions differ from one another. The difference lies in the binding force of the judgments produced by the institution. If the binding adjudicative procedur, the decision produced by the institution that decides the

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[23] Salim H.S, *Law Contract: Theory & Contract Drafting Techniques*Cet. II, (Jakarta: Sinar Graphics 2004), low-cost housing. 3.

[24] Understanding based on the Big Indonesian Dictionary (KBBI)

[25] Nurnaningsih Amriani. 2012. Alternative Mediation for Civil Dispute Resolution in Court. Jakarta. Publisher : PT. King Grafindo Persada. hlm 13.

[26] Destiny Rahmadi. 2017. Mediation of Dispute Resolution through Consensus Approach. Jakarta. Publisher : PT. King Grafindo Persada. hlm 1.

[27] Ibid,hlm 12

case is binding on the parties, while in the non-binding adjudicative procedur, the resulting decision is not binding on the parties. This means that with the decision, the parties can agree or reject the contents of the decision. The similarity of the two dispute resolution patterns is that they both provide a decision or solution in a case.28

Basically, dispute resolution can and usually is done in two ways, namely dispute resolution through litigation institutions (through court) and dispute resolution through non-litigation (outside the court).

A. Legal Remedies for Dispute Resolution Through Litigation

In the laws and regulations, there is no definition of litigation, but it can be seen in Article 6 paragraph (1) of Law No. 30 of 1999 concerning Arbitration, namely "Civil disputes or differences of opinion can be resolved by the parties through alternative dispute resolution based on good faith by setting aside dispute resolution by litigation in the District Court" which in essence says that disputes in the civil field can be resolved by the parties through alternative dispute resolution based on good faith with set aside litigation in the District Court. So it can be concluded that litigation is a process of resolving legal disputes in court where each disputing party has the same rights and obligations both to file a lawsuit and dispute the claim through answers.[29]

The advantages of dispute resolution through litigation are as follows:

1) in taking over the decision of the parties, litigation at least to some extent guarantees that the power cannot influence the outcome and can guarantee social order;
2) Litigation is very good for finding various mistakes and problems in the position of the opposing party;
3) litigation provides a standard for fair procedure and provides ample opportunity for the parties to be heard before making a decision;
4) Litigation brings community values to the resolution of private disputes;
5) In the litigation system, judges apply the community values contained in the law to resolve disputes. Thus, it can be said that litigation not only resolves disputes, but more than that also guarantees a form of public order, which is contained in the law explicitly or implicitly. But litigation, at least as it exists in the United States, has many drawbacks.[30]

The disadvantages of dispute resolution through litigation are as follows:

1) forcing the parties to an extreme position;
2) require a defense (aclvocasy) of any intent that may affect the verdict;
3) litigation actually raises all issues in a case, whether material (substantive) or procedural issues, for equal interests and encourages parties to investigate extreme and often marginal facts;

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[28] Ibid,

[29] Yessi Nadia, Litigation and Non-Litigation Dispute Resolution (Review of Mediation in Court as an Alternative to Out-of-Court Dispute Resolution, https://www.academia.edu/29831296/Penyelesaian_Sengketa_Litigasi_dan_Non Litigasi_Tinjauan_terhadap_Mediasi_dalam_Pengadilan_sebagai_Alternatif, accessed On April 24, 2023

[30] Garry Goodpaster,dkk.1995. Review of Dispute Resolution in Arbitration in Indonesia. Jakarta. Ghalia Indonesia, p 6

4) time-consuming and increasing financial costs;
5) demonstrable facts form the framework of the matter, the parties are not always able to express their true concerns;
6) litigation does not seek to repair or restore the relationship of the parties to the dispute;
7) Litigation is not suitable for polycentric disputes, namely disputes involving many parties, many issues and several alternative possible resolutions. The litigation process requires limiting disputes and issues so that judges or other decision makers can be better prepared to make decisions. [31]

Litigation is a conventional dispute resolution in the business world such as in the fields of trade, banking, mining projects, oil and gas, energy, infrastructure, and so on. The litigation process puts the parties against each other. In addition, litigation dispute resolution is the ultimate means (ultimum remidium) after alternative dispute resolution efforts have not yielded results.[32]

B. Legal Remedies for Dispute Resolution Through Non-Litigation Channels

Basically every contract (agreement) made by the parties must be enforceable voluntarily or in good faith, but in reality the contract made is often violated. The question now is, how to resolve disputes that occur between the parties. The pattern of dispute resolution can be divided into two types, namely: (1) through the court, and (2) alternative dispute resolution.

First, dispute resolution through the courts is a pattern of dispute resolution that occurs between the parties that is resolved by the court. The verdict is binding. Meanwhile, *second*, dispute resolution through alternative dispute resolution (ADR) is a dispute resolution institution or disagreement through procedures agreed by the parties, namely out-of-court settlement by means of consultation, negotiation, mediation, conciliation, or expert assessment (Article 1 paragraph (10) of Law Number 30 of 1999 concerning Arbitration and Alternative Dispute Resolution Options). When referring to the provisions of Article 1 paragraph (10) of Law Number 30 of 1999, the method of dispute resolution through ADR is divided into five ways, namely: a. consultation, b. negotiation, c. mediation, d. conciliation, or e. expert assessment.

One model of dispute resolution outside the court (non-litigation) is through arbitration. The definition of arbitration in Article 1 paragraph (1) of Law Number 30 of 1999 has included the definition of arbitration. Arbitration is the resolution of civil disputes outside the general courts based on an arbitration agreement made in writing by the disputing party. Frank Alkoury and Eduar Elkoury, define arbitration as: "An amicable or simple process chosen by the parties voluntarily who wish to have the case decided by a neutral bailiff of their choice, where their decision is based on the arguments in the case. The parties agree from the outset to accept the award as final and binding.[33] The two definitions of arbitration above

[31] Ibid,hlm 141

[32] Frans Hendra Winarta. 2012. Indonesian National Arbitration Dispute Resolution Law and International. Jakarta. Sinar Graphicslow-cost housing 1 and 2.

[33] M. Husseyn Umar dan A. Suiani Kardono. 1995. Law and Institutions of Abitrase in Indonesia. Jakarta. Elliptical. Pp 2.

have differences and similarities. The difference can be examined from the elements listed in both definitions.

The elements of arbitration listed in Article 1 paragraph (1) of Law Number 30 of 1999, namely:

1) settlement of civil disputes outside the general court,
2) pursuant to the arbitration agreement,
3) the form of the agreement is written, and
4) agreed by the parties.

While the elements of arbitration listed in the definitions of Frank Alkoury and Eduar Elkoury are as follows:

5) easy or simple process,
6) voluntarily elected parties,
7) terminated by the bailiff, and
8) based on the evidences in the matter.
9) The parties have agreed to the decision since the final and binding re-enactment.

   When compared with the two elements mentioned above, it appears that in the first definition it is focused on the presence or absence of an arbitration agreement made by the parties. An arbitration agreement is an agreement in the form of an arbitration clause contained in a written agreement made by the parties before a dispute arises, or a separate arbitration agreement made by the parties after a dispute arises. Arbitration agreements are made before and after disputes arise. While the second definition is focused on the implementation process of the arbitral institution, which is easy and simple. A simple or simple process is a process that does not require convoluted and lengthy procedures and conditions, as occurs in litigation cases. The conditions [34]are as follows: (1) there is an element of interest involved, (2) participation is agreed upon by the parties to the dispute, and (3) approved by the arbitrator or arbitral tribunal.
10) The parties are free to determine the arbitration proceedings used in the examination of the dispute. With conditions must be set forth in a firm and written agreement.
11) All disputes whose resolution is submitted to the arbitrator or arbitral tribunal will be examined and decided according to the provisions in Law Number 30 of 1999.
12) At the request of a party, the arbitrator or arbitration arbitrator may take provisional or other injunctive relief to regulate the order in which the dispute is heard including the determination of bail, ordering the custody of goods to a third party, or selling damaged goods.
13) The arbitrator or arbitral tribunal may order that any document or evidence be accompanied by a translation into the language prescribed by the arbitrator or arbitral tribunal. The examination procedure in dispute resolution through an arbitral institution is for the applicant to submit a

[34] Ibid, hlm 142

request for examination of the dispute in writing to the arbitrator or arbitral tribunal. Oral examination can be carried out if agreed by the parties.

Upon receipt of such application, the steps taken by the arbitrator or arbitral tribunal are as follows.

1) Within the period specified by the arbitrator or arbitral tribunal, the applicant shall submit his letter of claim to the arbitrator or arbitral tribunal. The claim must contain at a minimum:
   a) the full name and place of residence or place of position of the parties,
   b) a brief description of the dispute accompanied by an appendix of evidence, and
   c) The contents of the claim are clear.
2) Upon receipt of the letter of claim from the applicant, the arbitrator or the chairman of the arbitral tribunal shall submit a copy of the claim accompanied by an order that the respondent shall respond and provide an answer in writing within a maximum of 14 (fourteen) days from the receipt of the copy by the respondent.
3) Immediately upon receipt of the reply from the respondent by order of the arbitrator or the chairman of the arbitral tribunal, a copy of the answer shall be submitted to the applicant.
4) The arbitrator or the chairman of the arbitral tribunal orders that the parties or their proxies appear before the arbitral tribunal determined no later than 14 (fourteen) days from the day on which the order is issued.
5) If the respondent after 14 (fourteen) days does not submit its answer, the respondent will be summoned to appear at the next arbitration hearing.
6) In his answer or at the latest at the first hearing, the respondent may file a counterclaim and against such counterclaim, the applicant is given an opportunity to respond. Counterclaims are examined and decided by the arbitrator or arbitral tribunal together with the dispute. 35
7) If on the appointed day, the applicant without a valid reason is unable to appear, while having been duly summoned, his claim is declared void, and by the arbitrator or arbitral tribunal it is deemed complete. Vice versa, the respondent without a valid reason does not appear before the respondent while the respondent has been duly summoned, the arbitrator or arbitral tribunal immediately summons once.
8) h. Not later than 10 (ten) days after the second summons is received by the respondent and without a valid reason the respondent also does not appear before the court, the examination will continue in the absence of the respondent and the applicant's claim is granted in its entirety, unless the claim is unreasonable or not based on law.
9) In the event that the parties appear before on the appointed day, the arbitrator or arbitral tribunal shall first seek peace between the disputing parties.
10) If peace efforts are reached, the arbitrator or arbitral tribunal shall make a peace deed that is final and binding on the parties and orders the parties to comply with the terms of the peace.

[35] Ibid.

11) Examination of the subject matter of the dispute is continued if peace is not reached.

Based on the description above, the legal remedy that can be used by the Distributor if the Principal Company unilaterally cancels the distribution agreement is to resolve the dispute through out-of-court channels (non-litigation) by negotiation, mediation, or arbitration. However, if dispute resolution through non-litigation channels is unsuccessful, then the legal remedy that can be taken by the Distributor is to resolve the dispute over the cancellation of the distribution contract unilaterally through litigation, namely by filing a lawsuit to the district court based on illegal acts (*onrechtmatige daad*).

4. Conclusion

Unilateral termination of the distribution contract carried out by the principal company against the agent (distributor) is against the law if it is done not in accordance with the provisions of Article 1266 of the Civil Code. unlawfully. The legal consequence of unilateral termination of the distribution contract by the principal is that the agent or distributor has the right to claim compensation based on unlawful acts (Article 1365 of the Civil Code).

Legal remedies that can be taken by distributors (agents) in the event of unilateral termination of the distribution contract by the principal company are to resolve it through out-of-court channels (non-litigation) through negotiation, mediation, or arbitration. However, if legal remedies through non-litigation channels are unsuccessful (fail), the distributor submits litigation legal remedies by filing a claim for compensation to the court based on unlawful acts (Article 1365 of the Civil Code).

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