

Analysis of the Implementation of the Royalty System for Song Playback in Coffee Shops Based on Copyright Law in Indonesia

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Abstract. *The development of technology and digitalization has had a significant impact on the dynamics of the creation and distribution of intellectual works, such as music, books, designs, and software. In today's creative economy, creative works not only have aesthetic and cultural value but also have high economic value, making them one of the main sources of income for creators. In this context, the royalty system is an important instrument to provide compensation for the use of works, especially for commercial purposes. The large population in Indonesia has led to a variety of activities among Indonesians, one of which is playing and performing music, whether the performers are musicians directly or indirectly. The definition of song/music is basically slightly different but interrelated. A song is a musical unit consisting of a series of consecutive notes, each song is determined by the length, shortness, and pitch of the notes, and the rhythm also provides certain variations to a song. The song/music itself is a unified work of creation. The definition of creation according to Article 1 paragraph 3 of Law Number 28 of 2014 concerning Copyright is every creative work in the fields of science, art, and literature produced by inspiration, ability, thought, imagination, dexterity, skill, or expertise expressed in a tangible form. The development of an increasingly modern era, driven by the rapid advancement of information technology in the era of globalization, has brought major changes in various aspects of business ranging from investment, industry, to product marketing methods. This change is also followed by Intellectual Property in this case that is used in the process of product manufacturing and marketing. In the present era, the influence of globalization has touched almost all aspects of life, including the social, economic, and cultural fields. One of the most noticeable impacts is on the products of human thought and creativity, such as various works in the fields of science, art, and literature. Advances in digital technology make these works, including songs and music, easily disseminated and accessible to the wider community in various parts of the world. Many creative works are then used without permission or even pirated. Therefore, a clear legal protection system is needed to safeguard the rights of creators, performers, and other related rights holders. This protection is crucial to ensure that creators receive the recognition and compensation they deserve for their work.*

Keywords: *Coffee Shop; Copyright Law; Royalties; Song Play.*

1. Introduction

Technological developments and digitalization have had a significant impact on the dynamics of the creation and distribution of intellectual works, such as music, books, design, and software. In today's creative economy, works not only possess aesthetic and cultural value but also possess high economic value, making them a primary source of income for creators. In this context, the royalty system has become a crucial instrument for providing compensation for the use of works, particularly for commercial purposes.

Indonesia's large population has led to a wide variety of activities, one of which is playing and performing music, whether directly performed by musicians or not. The definition of song/music is essentially slightly different but interrelated. A song is a musical unit consisting of a series of notes, each defined by the length and pitch of the notes, and the rhythm also provides certain variations.¹ The song/music itself is a single work of creation.² According to Article 1 paragraph 3 of Law Number 28 of 2014 concerning Copyright, a creation is defined as any creative work in the fields of science, art, and literature resulting from inspiration, ability, thought, imagination, dexterity, skill, or expertise expressed in tangible form.

The increasingly modern era, driven by the rapid advancement of information technology in the era of globalization, has brought about significant changes in various aspects of business, from investment and industry to product marketing methods. These changes have also affected Intellectual Property, particularly in the product manufacturing and marketing processes.³ Nowadays, the influence of globalization has touched almost all aspects of life, including social, economic and cultural fields.⁴ One of the most noticeable impacts is on the products of human thought and creativity, such as various works in the fields of science, art, and literature. Advances in digital technology have made these works, including songs and music, easily disseminated and accessible to a wider audience worldwide.

Thanks to the development of science and technology (iptek) in all fields, the world is becoming "smaller." Events in every corner of the globe, including issues related to copyright and their resolution, quickly become known in other corners of the globe. However, this ease of access also presents new challenges. Many creative works are then used without permission or even pirated.⁵ Therefore, a clear legal protection system is needed to safeguard the rights of creators, performers, and other related rights holders. This protection is crucial to ensuring that creators receive appropriate recognition and compensation for their work.

2. Research Methods

This research uses an empirical normative legal research method, empirical normative research is legal research regarding the direct application of normative legal provisions (Laws)

¹ Hulman Panjaitan, "Penggunaan Karya Cipta Lagu dan/atau Musik dan Akibat Hukumnya", *Jurnal Hukum tô-râ*, Vol. 1 No. 2, Agustus 2015, p. 113.

² Tommy Hottua Marbun, dkk, "Perlindungan Hukum Hak Cipta Terhadap Karya Cipta Lagu dan Musik dalam Bentuk Ringtone pada Telepon Seluler", *TRANSPARENCY, Jurnal Hukum Ekonomi*, Volume I Nomor 1, Februari-Mei 2013, p. 2.

to each specific legal event that occurs in society.⁶ The researcher chose to use the Empirical Normative research method because it analyzes the applicable legal bases such as Law Number 28 of 2014 concerning Copyright, as well as its implementing regulations and the problems expected in implementing these regulations, including the policies of the National Collective Management Institute (LMKN).

3. Results and Discussion

3.1. Implementation of a Royalty System for Song Play in Coffee Shops Based on Law Number 28 of 2014 Concerning Copyright

To maintain the confidentiality of informants and businesses, the researcher decided to disguise the data of informants and research locations by assigning specific codes. The first location used the code CF-1 (coffee shop), the second location used the code CF-2 (coffee shop), and the third location used the code CF-3 (coffee shop). Meanwhile, informants were assigned the code N-1 for informants from the first location, N-2 for informants from the second location, and N-3 for informants from the third location.

The previous chapter explained the royalties regulated by Law Number 28 of 2014 concerning Copyright and is also explained in Government Regulation Number 56 of 2021 concerning Management of Song and/or Music Copyright Royalties, Article 1 Paragraph 1, which states that royalties are compensation for the use of the Economic Rights of a Work or Related Rights Product received by the creator or owner of related rights.

Based on interviews with the manager of coffee shop CF-1, represented by N-1, a respondent, researchers revealed that their level of knowledge and understanding regarding the obligation to pay song royalties for commercial purposes varies. N-1 stated that he was aware of the legal provisions requiring royalty payments for businesses playing songs in commercial areas, as stipulated in Law Number 28 of 2014 concerning Copyright and Government Regulation Number 56 of 2021. However, this knowledge was generally limited and in-depth. CF-1, represented by N-1, admitted to having never sought further information regarding the payment mechanism or registration procedures with the National Collective Management Institute (LMKN). Some even expressed confusion about where to begin to obtain valid information.

Interestingly, their primary source of initial information came from social media, particularly Instagram, where the Mie Gacoan case related to the music royalty dispute was a hot topic. This demonstrates that social media can be an effective means of disseminating legal issues, but also reflects that official outreach from the LMKN is still insufficiently reaching small and

³ Kholis Rosiah, *Konsep Hukum Hak Kekayaan Intelektual*, Setara Press, Malang, 2015, p. 1.

⁴ Budi Agus Riswandi, *Hak Kekayaan Intelektual dan Budaya Hukum*, Raja Grafindo Persada, Jakarta, 2014, p. 133.

⁵ Az. Nasution, *Hukum Perlindungan Konsumen Suatu Pengantar*, Diadit Media, Jakarta, 2011, p. 34.

⁶ Rizqy Claudya Novella. "Efektivitas Pengawasan Kantor Imigrasi Kelas I Tangerang Terhadap Penyalahgunaan Izin Tinggal Kunjungan Warga Negara Asing Untuk Bekerja Berdasarkan Undang-Undang No. 6 Tahun 2011 tentang Keimigrasian" *Jurnal Hukum Replik*. Vol. 7 No. 2. 2019, p. 57.

medium-sized businesses in the coffee shop sector. Respondents acknowledged that their businesses were not yet registered with the National Management Agency (LMKN) and had never made royalty payments. The main obstacle they expressed was the tariff, which they considered excessively high and disproportionate to their businesses' financial situation, especially amidst fluctuating raw material prices, which tend to rise every quarter. According to them, the annual tariff of Rp120,000 per seat, as implemented by the LMKN, was difficult to accommodate within the cost of goods sold (COGS) structure, thus being considered burdensome, especially for small businesses with uncertain turnover. Nevertheless, respondents agreed that, in principle, playing music in coffee shops requires permission from the creator or copyright holder as a form of respect for intellectual work. They recognized that musical creation requires a creative process that deserves recognition, including through financial rewards in the form of royalties.

Regarding law enforcement, respondents considered an overly repressive approach, such as directly reporting the business to the police or filing a lawsuit, inappropriate in this case. They proposed that the LMKN (National Institute for Public Relations and Communications) first issue three written warnings/summons. If the business continues to fail to comply after these opportunities, further legal action should be taken. This gradual approach is believed to foster legal awareness without creating excessive resistance among business owners.

Respondents also provided constructive input to the LMKN and the government to improve coffee shop business compliance with royalty obligations. Some suggestions included the need to increase massive and comprehensive outreach activities, adjust tariffs to be more reasonable and proportionate to business capacity, implement a turnover-based tariff system, and provide clear feedback to business owners regarding the benefits of royalty payments. They emphasized that a turnover-based tariff system would be fairer, given that coffee shop revenues fluctuate and depend heavily on customer numbers.

Interestingly, respondents agreed with the implementation of mandatory royalty payments, provided they were implemented fairly, transparently, and accompanied by simplified procedures. They also acknowledged the direct benefits of playing music in coffee shops, such as creating a more lively and comfortable atmosphere for customers. Respondents even expressed hope that LMKN (National Collective Management Institute) would provide a comprehensive and high-quality music streaming platform, even surpassing commercial services like Spotify, in the future for businesses that fulfill their royalty obligations, so they could receive added value commensurate with their obligations.

Further research was conducted at an undisclosed location, hereinafter referred to as CF-2, represented by N-2. Interviews with coffee shop owners and managers revealed that the respondents were aware of the royalty payment obligation for commercial music playback at their establishments. This knowledge was generally not obtained through formal channels such as public awareness campaigns from the government or the National Collective Management Institute (LMKN). According to the sources, this knowledge was only recently acquired, particularly after widespread news coverage on social media regarding a food franchise brand being reported to authorities for copyright infringement. These reports

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revealed that the initial information regarding royalty obligations did not come from direct publicity from the government or relevant institutions, but rather from viral social media reports.

The sources admitted that before the news surfaced, they were completely unaware of the legal provisions governing royalty payments for music playback in businesses. In fact, most admitted they did not understand the registration mechanism, applicable rates, or payment procedures. This situation indicates that the flow of formal information from authorities to businesses is still very limited, resulting in inadequate awareness and compliance with the law.

When asked about their compliance with this regulation, specifically regarding whether they had paid royalties for music played at their businesses, the informants stated that the coffee shops they manage are not yet registered with the National Collective Management Institute (LMKN) and have not yet made any royalty payments. The primary reasons they cited were the lack of outreach and education provided by the government or LMKN, as well as their lack of knowledge of the required procedures. Furthermore, time and the busyness of managing daily operations also contributed to their inability to actively seek information about this obligation. Most business owners admitted that they only learned about this obligation after the viral incident, leaving them unaware of the registration procedure, payment mechanisms, or who to contact.

Regarding the established royalty rate, the informants also stated that the current rate, at IDR 120,000 per seat per year, is quite burdensome, especially for businesses with a large number of seats but low profits. In his explanation, one source stated that if the number of seats in his coffee shop exceeded 100, the royalty fee would be a significant amount, amounting to IDR 12,000,000, adding to his expenses, especially amidst volatile raw material prices. This burden was considered heavy considering that other operational costs, such as rental space, employee salaries, and raw materials, continue to rise over time. The source also highlighted that the seat-based tariff system does not take into account fluctuating occupancy rates, turnover, and business conditions.

3.2. Obstacles and Solutions in the Implementation of Royalty Payment Obligations by Coffee Shops

The implementation of the royalty payment policy for song and music playback in coffee shops undoubtedly presents various challenges that hinder its effective implementation. The policy, which is normatively regulated in the Copyright Law and reinforced by Government Regulation Number 56 of 2021, often encounters obstacles in practice, both in terms of regulations, administrative mechanisms, and the sociological conditions of business actors. Coffee shops, as one of the fastest-growing business sectors in the current creative industry era, still face a dilemma between the legal obligation to pay royalties and limitations in financial capacity and legal knowledge.

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These obstacles arise not only from internal factors within businesses, such as lack of understanding, limited capital, or low legal awareness, but also from external factors, such as minimal outreach from the National Collective Management Institute (LMKN), unclear procedures, and debates over perceived burdensome tariffs. The complexity of these obstacles is one of the main reasons why compliance remains low, despite clear regulations governing this obligation.

Therefore, this section will discuss in depth the obstacles faced in implementing royalty payment obligations in coffee shops, drawing on interview data and field findings. This discussion is expected to provide a comprehensive overview of the inhibiting factors and provide opportunities for solutions to create a fairer, more effective, and applicable system for all parties involved.

The factors inhibiting the implementation of a royalty system for music played in public spaces, particularly coffee shops, are complex and complex. Interviews with the National Collective Management Institute (LMKN) revealed that the main obstacle is closely related to low legal awareness among business owners. Many coffee shop owners fail to understand that playing music in their establishments is not merely an entertainment activity, but rather a form of utilization of intellectual property, which carries legal consequences in the form of royalty payments. This low awareness is influenced by a lack of legal literacy among small and medium-sized businesses, as well as the perception that music is freely consumed after purchasing a CD, subscribing to a streaming app, or downloading it from a digital platform. This incomplete understanding leads many businesses to ignore the legal obligations inherent in their commercial activities.

In addition to legal awareness, a lack of public awareness and education is also a significant obstacle. LMKN acknowledged that information dissemination regarding royalty obligations remains very limited, tending to only reach businesses in large cities. Meanwhile, businesses in rural or outlying areas receive almost no adequate outreach. This situation creates an information gap that directly impacts low levels of compliance. Many entrepreneurs in the regions are unaware of this obligation, while even those who are aware are often confused about the registration procedures, payment mechanisms, and applicable rates. As a result, this national legal obligation is perceived as a sudden new policy that burdens business owners.

Another issue that exacerbates the situation is the perceived burdensome royalty rates. Many coffee shops, especially small and medium-sized ones, feel that the rates set by the LMKN (National Coffee Association) are not commensurate with their financial capabilities. Calculations based on the number of seats, for example, IDR 120,000 per seat per year, are considered more appropriate for businesses with large turnover, but unrealistic for small businesses with uncertain income. This objection is quite reasonable, as coffee shop operational costs are already significant due to the ever-increasing price of raw materials, so the royalty obligation is perceived as only adding to the burden. LMKN recognizes this and has stated that it is reviewing the rates to make them more proportional, especially for MSMEs. There is even talk of revising the Copyright Law to ensure fairer and more realistic

tariff regulations. However, until the new policy is enacted, business resistance to royalty obligations will remain a major obstacle.

Besides tariff issues, another emerging obstacle is the lack of direct surveys regarding coffee shops' financial capacity to pay royalties. The National Music Institute (LMKN) acknowledged that it has not yet conducted field research to comprehensively map business operators' paying capacity. This lack of empirical data often leads to the perception that tariff-setting policies are "top-down," without considering economic realities on the ground. Although the LMKN has drafted new tariffs tailored to business categories, the draft is still under internal discussion and therefore has not yet been released to the public. This creates uncertainty among business operators and weakens the legitimacy of the current tariff policy.

Technical obstacles are also crucial, particularly in data collection and monitoring. The LMKN stated that it remains extremely difficult to verify coffee shops that play music for commercial purposes, including identifying the songs being played. Without accurate data collection, royalty obligations are difficult to monitor comprehensively. To address this issue, LMKN is developing a Management Information System (SILM), which is expected to facilitate digital data collection and monitoring. This system is expected to improve accuracy, regularity, and efficiency, although in practice, the system is still in the development stage.

In addition to technical challenges, sociological barriers also require attention. LMKN often faces a negative stigma from business actors, who perceive the institution as merely collecting fees without providing any tangible benefits. The lack of transparency regarding the royalty distribution mechanism and the lack of information regarding LMKN's contribution to the music industry further reinforce this stigma. As a result, many business actors are reluctant to pay royalties, believing that such payments only increase operational costs without directly impacting their business. This negative stigma worsens compliance rates and creates significant resistance in the field.

3.3. The Role of the National Collective Management Institution (LMKN) in Enforcing Performing Rights in the Public Sphere

The National Collective Management Institution (LMKN), as the primary institution for collecting royalties and overseeing several Collective Management Institutions (LMK), holds a strategic position in enforcing Performing Rights in Indonesia, particularly in public spaces such as hotels, restaurants, shopping centers, and coffee shops. LMKN was established as a mandate from Law Number 28 of 2014 concerning Copyright and is reinforced by Government Regulation Number 56 of 2021 and its implementing regulations. Its primary function is to coordinate all existing Collective Management Institutions (LMK). With this mandate, LMKN plays a crucial role in ensuring that all forms of commercial use of songs and/or music continue to provide adequate economic benefits to creators and copyright holders.

Institutionally, the Music and Music Association (LMKN) has several core duties that serve as the main pillars of its function. These duties include collecting and distributing royalties from the use of music in public spaces, overseeing distribution transparency, establishing equitable

royalty rates, and providing an integrated information center regarding song data and its use. LMKN also serves as a bridge connecting the interests of creators and copyright holders with users, ensuring a balanced legal relationship. In other words, LMKN is a "coordinating umbrella" that serves as the foundation of the collective royalty management system in Indonesia, with the primary mandate of maintaining fair distribution while overseeing law enforcement.

In carrying out its functions, LMKN recognizes that the greatest challenge lies not only in the regulatory aspect but also in implementation on the ground. One important mechanism LMKN employs is building legal awareness among businesses, including coffee shops. This is crucial because most businesses still view music as merely entertainment or a decorative element, rather than as a legally protected intellectual work. Through this approach, LMKN serves not only as a royalty-collecting institution but also as a legal education agency, striving to foster an understanding that royalty obligations are part of respecting copyright.

The LMKN's strategy to raise legal awareness is quite diverse. Outreach is conducted through social media, seminars, and various discussion forums, both at the central and regional levels. LMKN also establishes cross-ministerial collaborations, such as with the Ministry of Tourism and Creative Economy, the Ministry of Education and Culture, and the Ministry of Communication and Informatics. This collaboration is intended to build a comprehensive and integrative ecosystem, where royalty compliance is viewed not only from a legal perspective, but also from the perspective of creative economy development, cultural preservation, and the use of digital technology.

However, LMKN also faces technical obstacles in auditing and monitoring song playback in public spaces. To date, an ideal monitoring system is not yet fully available due to vendor or technology limitations. To address this, LMKN is developing a Song and/or Music Information System (SILM), which is expected to create order, accuracy, and transparency in recording songs used in public spaces. The SILM will be a crucial instrument in ensuring that royalties can be calculated objectively and fairly, while minimizing conflicts between businesses and copyright holders.

In the context of enforcing regulations on businesses, including coffee shops, the LMKN is also planning the establishment of a Regional Collective Management Institution (LMK Daerah). This institution is expected to serve as an extension of the LMKN in conducting outreach, data collection, and royalty collection in areas difficult for the central LMKN to reach. With the establishment of a Regional LMK, it is hoped that the information and implementation gap between the central and regional governments can be narrowed, thereby ensuring more equitable royalty payment obligations across Indonesia.

From a regulatory perspective, government support for the LMKN is significant. This is evidenced by the issuance of Minister of Law and Human Rights Regulation No. 27 of 2025, which serves as an implementing regulation for Government Regulation 56/2021. This regulation provides a stronger legal basis for the LMKN and reinforces the obligation of businesses to pay royalties for the use of music in public spaces. This regulatory support also

demonstrates that copyright enforcement is not solely the responsibility of the LMKN but also a state policy aligned with the intellectual property protection agenda.

Nevertheless, the LMKN prefers a persuasive approach to enforcing royalty obligations. Repressive legal avenues such as lawsuits or criminal prosecution are not the primary options. The National Mining Law Enforcement Agency (LMKN) prioritizes issuing written warnings and warnings as initial steps. A prominent example is the dispute with the Mie Gacoan restaurant chain, where warnings were issued in 2022, yet many outlets still failed to comply. Of approximately 300 outlets, only 60 ultimately complied with their obligations, paying a total of IDR 2.2 billion. This case illustrates how the persuasive approach promoted by LMKN still faces significant challenges, especially when dealing with large-scale businesses that have the financial resources to delay compliance.

Furthermore, LMKN also faces the issue of differential treatment for large-scale and small-scale businesses. Currently, the treatment applied is uniform. However, LMKN is formulating a new policy, expected to be implemented after October 2025, that will allow for differentiation based on business scale.

This is crucial to ensure that royalty obligations do not burden small businesses like coffee shops, while remaining fair to larger businesses with greater financial capacity.

To support this educational goal, the National Institute of Public Works (LMKN) plans to strengthen the role of Regional LMKs as centers for disseminating royalty obligations in the regions. This program is crucial to ensuring that coffee shop businesses, many of which are developing in the regions, have a sufficient understanding of royalty obligations. Without adequate understanding, business resistance to royalty obligations will continue.

4. Conclusion

Normatively, the legal framework in Indonesia is quite clear and firm in regulating royalty payment obligations. The legal basis can be found in Law Number 28 of 2014 concerning Copyright, Government Regulation Number 56 of 2021 concerning Management of Song and/or Music Copyright Royalties, and is reinforced by Regulation of the Minister of Law and Human Rights Number 27 of 2025 as an implementing regulation. This regulation emphasizes that any use of songs or music for commercial purposes in public spaces, including coffee shops, must be accompanied by royalty payments to the creator or copyright holder through the LMKN (National Library of Indonesia). However, research results indicate a gap between the ideal regulation and its implementation in the field. Many coffee shop businesses are unaware of or do not understand this obligation. Normatively established regulations are not fully effective due to a lack of widespread dissemination, weak oversight, and resistance from business owners who object to the tariffs. Thus, it can be concluded that in terms of regulations, Indonesia already has a strong legal basis, but its effective implementation still faces significant challenges. Based on research findings, several key factors hinder the implementation of royalty payment obligations in coffee shops. First, there is low legal awareness among business owners. Many coffee shop owners do not understand that playing

music in their establishments constitutes commercial exploitation as regulated by copyright law. Second, there is a lack of public awareness and education. Information regarding royalty obligations is more widely circulated in large cities, while in rural areas, businesses are relatively untouched by direct outreach. Third, royalty rates are considered burdensome, especially for small and medium-sized businesses. The current rate calculation model, for example, of IDR 120,000 per seat per year, is considered disproportionate because it does not take into account fluctuations in turnover and the financial capabilities of each business owner. Fourth, weak data collection and monitoring have resulted in many coffee shops escaping oversight. Fifth, there is a negative stigma against the LMKN (National Institute for the Study of Music) as an institution that only collects fees without providing direct benefits to businesses. Finally, law enforcement tends to be weak, with a greater emphasis on persuasive approaches than on firm legal action. All of these factors form a cycle of interrelated problems, hampering the implementation of the royalty system in the field. This demonstrates the need for a more comprehensive and adaptive strategy to gradually overcome these obstacles.

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