

Implementation of “Direct vs Indirect License”: A Comparative Study of Music Licensing Systems between Indonesia and the United States of America

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Abstract. *This study examines the implementation of direct and indirect license systems in copyright royalty management, particularly in the music sector, by comparing the regulatory frameworks of Indonesia and the United States. In Indonesia, copyright royalties are predominantly managed through a collective licensing system via LMK (Collective Management Organizations) and LMKN (National Collective Management Organization). Although the legal framework permits licensing directly between creators and users, the lack of explicit regulation on direct licenses creates legal uncertainty and risks overlapping claims. In contrast, the United States recognizes and regulates direct licenses under the Copyright Act of 1976, allowing copyright owners to manage their economic rights independently or through Performing Rights Organizations such as ASCAP, BMI, and SESAC. This legal certainty enables greater flexibility, negotiation power, and transparency for creators and industry stakeholders. The study employs a normative-empirical legal method, combining statutory analysis with interviews, to explore how Indonesia might benefit from clearer legal provisions to support a dual licensing approach. Strengthening legal clarity on direct licensing could ensure fairness, legal certainty, and adaptability for both creators and music industry actors in Indonesia’s growing creative economy.*

Keywords: Copyright; License; Royalties.

1. Introduction

Indonesia, which is one of the countries with the largest music industry in Southeast Asia, has ratified various international conventions and also made laws related to copyright protection. It aims to guarantee the rights of creators or copyright holders related to their own work (Fauziyyah, 2024). In Indonesia, music is a type of copyrighted work that is regulated and protected in Law No. 28 of 2014

concerning Copyright or UUHC (Roselvia et al., 2021). In the Law, it is stated that Copyright is an Exclusive Right that is born automatically based on the declarative principle after the creation is realized without any restrictions in accordance with the provisions of the law. Exclusive rights themselves are monopolistic, which means that only the creator has the right to use, publish and reproduce his work (Silubun and Alputila, 2021).

In the Copyright Law, it is regulated in such a way as to protect the rights of creators, one of which is when their works are used by other parties. In article 1 paragraph (20) of the Copyright Act, the use of copyrighted works owned by others needs to go through a licensing process or license agreement. A license is a written permission granted by the copyright owner or holder to another party for use in accordance with the agreed agreement (Ardiansyah et al., 2021). The license agreement aims to facilitate the recording process to the Directorate General of Intellectual Property Rights (DJKI). This is in accordance with Article 83 paragraph (1) of Law No. 28 of 2014, which states that license agreements must be recorded (Lelomali and Irianto, 2019).

The licensor will get a reward in the form of royalties for the granting of written permission granted by the owner or copyright holder to another party (Licensee), the royalties will be paid by the licensee (Gunawan, 2011). Royalties in the concept of copyright is a compensation that must be received by the creator as a form of appreciation for his work that is used by other parties commercially, it is stated in Article 35 paragraph (2) and (3) of the Copyright Act. Copyright owners or holders can feel the economic benefits of the music or songs they create. This can be a sign that there is progress achieved in terms of the economy in Indonesia. A sense of fairness and prosperity in terms of economic rights will certainly help and encourage their creative process again in the future (Rogate, 2024).

In Indonesia, there are institutions responsible for collecting and distributing royalties, namely the National Collective Management Institute (LMKN) and the Collective Management Institute (LMK). More specifically, LMKN has the task of supervising LMKs in Indonesia, then providing recommendations regarding licenses and sanctions to the minister and also withdrawing, collecting and distributing royalties from users through the Royalty Collection and Collection Coordinator (KP3R). While the task of LMK is to distribute royalties that have been collected by LMKN to the creators or copyright holders (Junitasari, 2024).

Although structurally LMKN and LMK have a clear role in the royalty collection and distribution system in Indonesia, in reality not all parties are satisfied with the performance of these two institutions. Musician and songwriter Ahmad Dhani expressed his dissatisfaction with the performance of the National Collective Management Institute (LMKN) and the Collective Management Institute (LMK) in terms of collecting royalties from music performances or performing rights. He considers that the two institutions have not performed their functions optimally. Based on the 2023 data he cited, the amount of royalties obtained from the music

performance sector was only around Rp 900 million, while the total royalties from all sectors, including television and radio, reached Rp 140 billion. To answer the polemics related to song royalties in live events, Ahmad Dhani founded the Indonesian Composers Association (AKSI) and introduced the Digital Direct License (DDL) system as an alternative solution (Rantung and Pangerang, 2024).

The direct license system refers to a mechanism where singers or parties who want to use a song must first obtain direct permission from the songwriter before performing the work publicly, such as on stage. However, this concept has caused debate among musicians and music industry players. Pros and cons have emerged, especially regarding the legality and compatibility of this system with applicable regulations. Ariel NOAH, who serves as the Vice Chairman of VISI (Vibration Suara Indonesia), also highlighted this issue. In his statement on his Instagram account, Ariel said that the direct license system is considered unable to guarantee justice for all music industry players. He argues that independent musicians or those who do not have a wide network tend to be in a weak position, because the license negotiation process tends to favor those who have great power and influence in the industry (Berita Hari Ini, 2025).

Ariel's disapproval of the direct license system does not mean that it shows indifference to the conflict that is currently happening regarding the issue of royalty payments. A total of 29 musicians and songwriters who are members of the One Vision Movement have filed a judicial review to the Constitutional Court against a number of articles in Law No. 28 of 2014 concerning Copyright. The articles in question relate to the obligation to seek permission from songwriters for performances, the parties responsible for paying royalties, and the authority of institutions to collect and distribute performing royalties. In addition, they also questioned the application of criminal sanctions for parties who have not paid performance royalties (Awaliyah, 2025).

Dharma Oratmangun as chairman of LMKN said that Direct License is a practice that is contrary to the Copyright Law, and expressly said that LMKN rejects attitudes that are contrary to the law (Rantung and Sembiring, 2024). There are no clear regulations governing the use of Direct License in royalty payments, this is because the system used in Indonesia tends towards indirect license or with LMKN and LMK intermediaries as a liaison between copyright holders and interested parties.

Unlike the system implemented in the United States, the use of direct licenses is completely legal under current United States Copyright law, specifically under Title 17 of the U.S. Copyright Code. This law gives copyright owners the exclusive right to decide how their works are used, whether to allow or prohibit certain uses. They can choose to grant a license directly to someone without involving third-party organizations, such as Performing Rights Organizations (PROs) like ASCAP, BMI, or SESAC. With the first step being that the copyright holder grants a license for the first mechanical reproduction to a third party (First License), then the third

party can make a mechanical reproduction of the work without the direct permission of the copyright holder (Statutory License) provided that it complies with the license rules and pays the mechanical royalties as stipulated by congress (Herlihy and Zhang, 2017).

Performing Rights Organizations (PROs) are mostly run by volunteers, so rights holders have the choice of joining and licensing through them or handling the licensing directly. Many top artists and record labels prefer direct licensing as it allows them to be in full control of how their work is used, how much money it earns, and how it is distributed. This approach often results in better revenues, as there is no third party taking a cut. Of course, direct license agreements or through Performing Rights Organizations (PROs) have their own advantages and disadvantages. Therefore, the author conducts research to find out more about the differences between the licensing system in Indonesia and the United States and whether the licensing system in the United States can be applied in Indonesia considering that there is still legal uncertainty regarding licensing arrangements in Indonesia (Dee, 2025).

2. Research Methods

The research method in this paper uses a normative juridical approach with empirical elements, namely research that focuses on analyzing written legal norms such as laws, legal principles, and expert opinions, and is complemented by empirical data from interviews. This type of research is also known as doctrinal legal research, which aims to interpret and analyze legal provisions related to copyright licensing in musical works. The approach used includes a case approach, to examine legal issues that arise in practice, as well as a comparative legal approach, to compare the copyright license system in Indonesia with other countries, especially the United States. The data in this research consists of primary legal materials such as Law No. 28 of 2014, Government Regulation Number 56 of 2021, and the U.S. Copyright Act of 1976, as well as secondary legal materials in the form of journals, scientific articles, and other legal literature. In addition, the author also obtained primary data through interviews with relevant sources as a form of strengthening normative data. All data is analyzed qualitatively, by interpreting the content of legal materials and relevant field information to answer the problem formulation in this study.

3. Results and Discussion

3.1. Copyright License System Arrangements in Indonesia and in the United States to Protect Copyrighted Musical Works and/or Songs

a) Arrangement of Music and/or Song Copyright License System in Indonesia

Intellectual Property Rights, also known as the type of wealth that is closely related to the power of one's thinking (intelligence) in the fields of science, technology and art. IPR is a right that arises from the product or process of thinking that is useful for humans (Tampi, 2020). Intellectual Property Rights (IPR) referring to the flow of natural law is a right given to individuals from God Almighty, in the sense that it is a party who creates or discovers a work through the use of the power of intelligence, brain, creation and spirit. IPR includes various forms such as; copyrights, patents, trademarks, industrial designs, and trade secrets. Through IPR, the owner of the work obtains the exclusive right to use and products or services related to the intellectual property (Lazuardi and Gunawan, 2023). Granting special and exclusive rights to new inventions in intellectual property rights is a form of monopoly that is recognized and allowed by law (Syarifuddin, 2021). Intellectual property rights provide legal protection to the owners of works, so that they have the authority to sue and/or report all forms of violations such as: piracy, use without consent, and violation of brand rights. This protection plays an important role in ensuring that intellectual property owners can utilize their creations commercially and obtain economic benefits from their work (Surniandari, 2016).

One of the oldest IPR regimes is copyright. Copyright is an exclusive right for a creator who is born automatically based on the declarative principle after a creation is realized in accordance with the provisions of the law (Roselvina et al., 2021). Exclusive rights here can mean that no one else can publish or duplicate the work except the creator or with the creator's permission, or can be interpreted as a limited monopoly right to the embodiment of the idea of the creation (Damian, 2021). According to Jill McKeough and Stewart, copyright protection is a principle that gives creators such as artists, musicians, or filmmakers exclusive rights to manage the utilization of their work. This includes the authority to grant permission or refuse the use, copying, or imitation of the work by other parties (Agustina et al., 2024). The role of the government in protecting copyright exclusivity is indispensable, policies that favor creators can make them feel protected by a legal umbrella. In Indonesia itself, copyright is protected and regulated in Law No. 28 of 2014 (Ardiansyah et al., 2021).

Within the Exclusive Rights of Copyright, there are Moral Rights and Economic Rights. Moral rights are rights that are permanently attached to the creator and cannot be removed or revoked for any reason, even though the copyright to the work has been transferred to another party. Meanwhile, economic rights are the rights to obtain financial benefits from the utilization of their creations (Aryanti, 2022). Moral rights include the right to recognition as the creator (right of paternity), i.e. the right to have one's name included on the work, as well as the right to maintain the integrity of the work (right of integrity), i.e. the right to reject any form of alteration, reduction, or

destruction of the work that may damage the reputation and integrity of the creator (Noerman et al., 2024). The provisions regarding economic rights are regulated in Article 9 of the Copyright Law (UUHC), which states that creators or copyright holders have economic rights over their creations. These rights include the authority to publish, reproduce in various forms, translate, adapt, arrange, transform, distribute copies, perform, announce, communicate, and lease the work. Any party who wants to use these rights legally must obtain permission from the creator or copyright holder, and it is strictly forbidden to copy or use the work commercially without permission (Dakimunthe and Wahyuni, 2023).

Copyright is an intangible movable object that has a transferable nature. This transfer applies in particular to the economic rights attached to copyright. Economic rights can be transferred to another party through a written agreement, grant, or will in accordance with the will of the creator. In contrast, moral rights are basically not transferable because they are personally attached to the creator. However, after the creator dies, the moral rights can be exercised by the heirs or designated parties through a will or other lawful cause (Abdullah et al., 2021). To transfer copyright needs to go through a process called Licensing is a written permission granted by the owner or copyright holder to another party based on the agreement.

In essence, legally there are two types of license agreements in the field of copyright, first, namely; direct license, is a license directly between the creator and the party who wants to use a work of the creator. The parties directly regulate the rights and obligations between them, including determining the amount of royalties and the right to use the work without the need to authorize a third party (Nafilah, 2025). While the indirect license, the creator authorizes the Collective Management Institution (LMK) to manage and transfer copyright licenses, it can be said that in this system the creator is not directly related to those who want to use the work but through the LMK. Indirect license is often referred to as Collective License, through this license agreement, users are given permission to use many works at once with the payment of a certain amount of royalties set by the LMK (FasterCapital, 2025). In the Indirect License system, the authorization from the creator to the Collective Management Institution (LMK) is done through a written agreement that authorizes the LMK to manage the creator's economic rights, including the collection, collection, and distribution of royalties for the use of their work. This authorization is valid and becomes the basis for the LMK to carry out its collective functions in accordance with the provisions in Law No. 28 of 2014 concerning Copyright.

Before the enactment of Copyright Law No. 28 of 2014, in Indonesia there were already several Collective Management Institutions (LMK) that had the authority to collect and distribute royalties, for example; such as the

Indonesian Singers and Musicians (PAPPRI) and Wahana Musik Indonesia (WAMI) which had joined the Confédération Internationale des Sociétés d'Auteurs et Compositeurs - International Confederation of Societies of Authors and Composers (CISAC) which is an international Collective Management Organization (CMO). In 2014, Law No. 28 of 2014 on Copyright (UUHC) was formed, which regulates 7 (seven) articles regarding Collective Management Institutions (LMK) and simultaneously establishes the National Collective Management Institution (LMKN) (Faisal, 2023).

Article 1 paragraph (22) of the UUHC explains the definition of LMK, which is an institution in the form of a non-profit legal entity authorized by the Creator, Copyright Holder, and / or owner of Related Rights to manage their economic rights in the form of collecting and distributing royalties. Meanwhile, the definition of LMKN is not explained in UUHC, but in Government Regulation Number 56 of 2021 concerning Management of Royalties for Copyright of Songs and/or Music, precisely in article 1 paragraph (11), LMKN is a non-APBN government auxiliary institution established by the Minister based on the Law on Copyright which has the authority to attract, collect, and distribute royalties and manage the interests of the economic rights of the Creator and the owners of Related Rights in the field of songs and/or music.

The Minister of Law and Human Rights Regulation No. 29/2014 also describes the existence of the National Collective Management Institution, which is divided into two types based on the parties it represents. First, the National Collective Management Institution for Creators (National LMK for Creators) is an institution that represents elements of LMK, creators, academics, and legal experts in the field of copyright to manage the economic rights of creators in the song and/or music sector. Second, the National Collective Management Institution for Related Rights (LMK National Related Rights) is an institution that represents elements of LMK, related rights owners, academics, and legal experts to manage the economic rights of related rights owners, such as performers and record producers, in the field of songs and / or music. In the Indirect License system, the granting of power from the creator to the Collective Management Institution (LMK) is done through a written agreement that authorizes the LMK to manage the economic rights of the creator, including the withdrawal, collection, and distribution of royalties for the use of their work. This authorization is valid and becomes the basis for the LMK to carry out its collective functions in accordance with the provisions in Law No. 28 of 2014 concerning Copyright.

Like agreements in general, license agreements are also included in civil relations. Agreements in IPR are very important, because with the agreement, the parties have a clear legal basis and authentic evidence that an agreement has been made. Therefore, if in the future a dispute arises due to the legal relationship, the agreed agreement can be used as the main reference in its

resolution (Bukido, 2016). This is why the license agreement in terms of transfer of economic rights of copyright is made in writing, it aims to be evidence that there has been a transfer of copyright either in full or in limited from the creator to another party (Entjarau, 2021).

After the license agreement, the copyright holder has the right to grant his copyright to others for commercial use. Usually during a certain period of the license agreement that has been determined, there is an obligation for the copyright licensee to pay royalties to the creator, unless there is another agreement in it (Haryawan and Akasih, 2016). Royalties are compensation that must be paid by the licensee and is an economic right that must be received by the creator as a form of appreciation for his work used by the licensee commercially (Rogate, 2024). Royalties are the main source of income for creators of works of art, one of which is the music industry. By giving royalties, it indirectly supports creators to continue to produce new works and improve welfare (Raihana et al., 2023).

In the Direct License system, the amount or amount of the royalty rate is determined based on the agreement of the parties. The amount or amount of royalty rates in the agreement must be based on the prevalence of prevailing practices and be fair as a whole. The regulation of royalty rates in the Direct License system in Indonesia is regulated in Article 80 paragraphs (4) and (5) of the UUHC. In paragraph (4), it is explained that the amount of royalty rate is determined based on the agreement in the agreement that has been predetermined by the parties, while still considering the principle of fairness. In paragraph (5), if an agreement on the amount of the royalty rate is not reached, it is determined by the Minister based on the recommendation of the LMKN. Meanwhile, in the Indirect License system or what can be referred to as a Collective License. LMK will determine the amount or amount of royalty rates which are then authorized by the Minister. In 2016, the LMK, which was subsequently ratified by the Minister of Law and Human Rights of the Republic of Indonesia, ratified the Decree of the Minister of Law and Human Rights of the Republic of Indonesia (KEMENKUNHAM RI) Number: Hki.2.Ot.03.01-02 Tahun 2016 Regarding the Ratification of Royalty Rates for Users Who Perform Commercial Utilization of Creation and / or Rights Products Related to Music and Songs.

Royalty rates in music concerts that use a ticket sales system are calculated based on a percentage of the gross revenue earned. The calculation is done by multiplying the total ticket sales (gross ticket box) by 2%, then adding the number of tickets given away for free (free tickets) whose value is multiplied by 1%. This means that concert organizers are required to pay royalties of two percent of all ticket revenue sold and one percent of the value of tickets distributed free of charge to other parties. Meanwhile, royalty rates for music concerts organized for free, without ticket sales, are calculated based on the

total music production costs incurred for the event. The royalty rate is set at 2% of the total production costs. So, even though there is no income from ticket sales, concert organizers are still obliged to pay royalties based on the expenses used to produce music performances. Both of these are regulated in Article 1 paragraph (4) and (5) of the Decree of the National Collective Management Institute Regarding the Ratification of Royalty Rates for Music Concerts.

Government Regulation Number 56 of 2021 was enacted as the implementation of Article 1 number 22 Jo Article 23 paragraph 5 of the 2014 HC Law with the aim of implementing Law No. 28 of 2014 concerning Copyright, with a more specific focus on the royalty withdrawal mechanism. This rule confirms that the withdrawal of royalties due to creators, copyright holders, and owners of related rights is the authority of the National Collective Management Institution (LMKN) (Qotrunada, 2023). The laws and regulations governing the payment of royalties for the use of musical works have actually been established, including the establishment of institutions authorized to collect royalties. However, in its implementation there are still various problems, especially in the payment mechanism. One of the problems that often arises due to the existence of more than one institution that has the authority to collect royalties for the use of ciptalagu and or music works, resulting in a situation where users of musical works receive more than one bill for the same use.

If we look at the Copyright Law, precisely Article 1 related to the definition of LMK and Articles 87 and 88 which have the right to withdraw, collect and distribute royalties are LMK, but in Article 89 paragraph (1), (2), (3) and (4) UUHC regulates the duties of LMKN also have the right to withdraw, collect and distribute royalties. In PP No. 56 of 2021 articles (12), (13) and (14) of PP No. 56 of 2021 strengthen that LMKN also has the right to do this. This situation raises questions regarding legal certainty and protection of the rights and obligations of the parties, and shows the urgency of structuring the license system so that there is no duplication of payment obligations by users (Hafiz et al., 2021).

However, based on an explanation from Marcel Siahaan as the Commissioner of the National Collective Management Institute for Related Rights, concerns about the potential overlap of royalty withdrawals will not occur. In practice, the LMK acts as a daily executor in charge of collecting data and information regarding the use of copyrighted works for commercial purposes, such as playing songs in public places, concerts, or broadcasting media. The data is then reported and coordinated with LMKN, then LMKN has the main authority to withdraw or collect royalties to users. In the withdrawal and collection, LMKN gives users time to pay a maximum of 14 days. This collaboration between LMK and LMKN is intended to create a centralized, controlled

system, and avoid unverified unilateral withdrawals, while ensuring that the economic rights of creators and related rights owners remain legally protected (Siahaan, 2025).

b) Music and/or Song Copyright License System Arrangement in the United States of America

Having understood how the direct and indirect license systems are applied in the context of copyright law in Indonesia, it is important to see how similar concepts are regulated in the legal systems of other countries, particularly the United States. The country has a significant influence in the global creative industries, especially in the field of music, and has a complex yet structured legal system in regulating copyright and its licenses.

In the United States, policies regarding copyright protection for creators of musical works and/or songs are regulated in the legislation of The Copyright Act of 1976. As the main footing of the copyright protection system in the United States The Copyright Act of 1976 passed by the US Congress, these provisions are still the legal framework that applies in protecting Copyright in the United States. The basic concept of copyright in the United States is based on the theory of utilitarianism, where protection is given not merely as a moral right, but as an incentive to encourage the production of creative works in the public interest (Natanel, 2008). On the other hand, the economic approach places copyright as an instrument to create an efficient market for creative content (Landes and Posner, 2003).

Copyright law in the United States helps creators to monopolize and fully exploit their work. Similarly, in Indonesia, the purpose of the Economic Rights itself is to ensure the fulfillment of financial benefits for the creator or copyright holder of his/her work in the form of royalties. The protection of economic rights in the copyright regime is a key cornerstone for the financial sustainability of the creative industries sector at a global level. Through the grant of exclusive rights, creators gain the legal authority to control the form of utilization of their work and receive proportionate compensation for their intellectual contribution. The regulation of the rights to reproduce, distribute, publicly perform and adapt works, as enshrined in copyright law, forms a juridical framework that ensures the sustainability of creative activities in the economic dimension (TheLaw.Institut, 2023).

The United States also regulates moral rights in its copyright law, namely The Copyright Act of 1976 (Prabandari, 2013). Protection of moral rights is given by the United States government to authorize the creator of copyrighted works to limit the use of his work, it aims to protect his reputation as a creator of works of art. It can be said, the moral rights as a form of defense or prevention of the transfer of copyrighted works. Moral Rights in the United States are divided into two types, namely:

- a) The Right of Attribution or The Right of Paternity
This right explains that the creator can be recognized as the creator even if his work has been used by other parties for commercial purposes.
- b) The Right of Integrity
This right serves to prevent damage to the creator's work when it is being used by other parties commercially. In other words, it prevents changes to his/her own work.

Moral Rights in U.S Copyright can only be protected when the work has been visualized, other than visual copyright works Moral rights cannot be given to the creator, as stipulated in section 106A U.S Copyright (Wells, 2025).

Exclusive rights of the creator in the United States are transferable. The transfer of the exclusive right means giving part or all of the rights to the copyrighted work to another person, for example in the form of a full assignment, a loan with security, or the granting of an exclusive license. This transfer can be valid for a specific period of time or in a specific territory. However, this does not include a non-exclusive license, because in a non-exclusive license, the owner can still give the same permission to other parties as well, this provision is stated in section 101 U.S Copyright. Exclusive rights in copyright can be transferred through two types of licenses, namely exclusive licenses and non-exclusive licenses. In an exclusive license, the right owner assigns one or more copyrights in full to another party, so that only that party has the right to use it during the license period. Meanwhile, in a non-exclusive license, the right owner retains control over the copyright and can still grant the same license to other parties (Copyright Alliance, n.d).

An exclusive license is a form of granting a single right to the licensee, which includes the right to use, produce, and commercially exploit intellectual property. In this context, the licensor cannot transfer similar rights to other parties during the validity period of the license. In addition, the exclusive licensee has the legal legitimacy to take action against third parties who infringe on the exclusive rights. In contrast, a non-exclusive license grants the licensee limited rights to use the intellectual property, but the licensor remains authorized to grant the same rights to more than one other party. For example, in the software industry, a company can transfer usage rights to multiple users without granting exclusive rights or the right to sue for infringement. Non-exclusive licensees also have more limited control compared to exclusive licensees in the management and protection of the intellectual property licensed (Ayers, 2023).

Just like in Indonesia, the copyright license licensing system in the United States is divided into two main models namely Direct License and Indirect License. Direct license is a mechanism where the copyright holder grants permission directly to the user to use the work. In contrast, indirect licensing is done through intermediary organizations such as copyright management

collectives, which act on behalf of the rights owner to manage and distribute licenses and royalties (Litman, 2019). In the United States, this system has evolved in a complex manner with regulatory updates, court decisions, and developments in the creative industries, especially in the music, film, and publishing sectors.

In the direct license system, licenses are granted individually between copyright creators and users. This mechanism is widely applied by large companies such as Universal Music Group and Sony Music that grant Direct Licenses to digital streaming platforms such as Spotify and YouTube. This allows for more specific negotiation of royalty rates and distribution control. This model is also driven by the private contracting system, where rights owners are not bound to a certain standard rate as in collective licensing. Another advantage is the acceleration of the negotiation process and the exclusivity of the agreement, although it is only effective if the licensor has strong bargaining power.

Royalty payment agreements in the United States are divided into two types, the first is the Public Performance License which means the right of writers or songwriters and publishers to broadcast songs or music that they have created in public, online or via radio. In the Public Performance License, there is no set royalty rate, because the amount varies according to what has been agreed or depending on the total amount of license fees collected by the Performing Rights Organization (Andrea, 2020). Then, Mechanical License Royalty, is a right granted by the creator to produce and distribute their music or song into Compact Disk (CD), Records, Tapes, Streaming services and others (Davis et al., n.d). Mechanical License Royalty Rates The United States issued a policy to regulate the amount of tariffs that must be paid by Mechanical License users, this policy is named Mechanical License Royalty Rates issued by the Copyright Tribunal Judge through Tittle 37 Code of Federal Regulation (CFR) section 385.

Copyright collective management falls into three main types of organizations based on the type of royalties managed. Performing Rights Organization (PRO) such as The American Society of Composers, Authors and Publishers (ASCAP), Broadcast Music, Inc. (BMI), Society of European Stage Authors and Composers (SESAC) and others. They provide blanket licenses to broadcasters, restaurants, and digital platforms that allow legal use of works without having to take care of individual licenses. This model has proven to be efficient for the public sector and mass broadcasting. In addition, collective organizations also ensure proportional distribution of royalties to creators, including independents (Sag, 2022).

Meanwhile, Mechanical Rights Organizations (MROs) such as the Harry Fox Agency (HFA) and The Mechanical Licensing Collective (The MLC) handle mechanical royalties, which come from the physical or digital reproduction of music such as CDs and downloads. In addition, the United States also has a neighboring rights management system through agencies like SoundExchange, which collects royalties from digital and satellite broadcasts for sound recording owners and artists. These three types of organizations play an important role in ensuring that rights owners are compensated for the various forms of use of musical works in the United States (Koynee, 2023).

3.2. Legal Impact of the Implementation of Direct License System for Copyright Protection of Musical Artwork and/or Songs in Indonesia and the United States of America

On the other hand, dissatisfaction with the performance of the LMK and LMKN emerged from several musicians in Indonesia, one of whom is Ahmad Dhani. According to him, the two institutions have not performed their functions optimally. Based on the 2023 data he cited, the amount of royalties obtained from the music performance sector was only around IDR 900 million, while the total royalties from all sectors, including television and radio, reached IDR 140 billion. In addition, Article 12 of PP No. 56 of 2021, which allows the withdrawal of royalties for creators who are not registered or have not become members of the LMKN, can lead to conflicts between creators or copyright holders and the LMKN. Not all creators and musicians of songs and / or music have authorized or their names are registered as members of the LMK or LMKN, because there are some musicians who prefer to use the direct license method (Rachman, 2022). (Rachman, 2022) One of them is Ahmad Dhani who collaborates with the Association of Indonesian Composers (AKSI) campaigning for the Direct License system as an alternative license system in Indonesia (Waluyo, 2025).

In Indonesia, the direct license system is not expressly regulated in Law No. 28 of 2014 concerning Copyright nor in Government Regulation Number 56 of 2021 concerning Management of Royalties for Copyright of Songs and/or Music. Although there is legal space for creators to grant direct licenses, the practice of

collecting and distributing royalties is still dominated by the National Collective Management Institution (LMKN) and LMK. In fact, Article 23 paragraph (5) of the Copyright Law states that the use of songs for public performances does not require direct permission from the creator as long as payment is made to LMKN. Furthermore, Article 12 of PP 56/2021 stipulates that LMKN has the right to collect royalties on works that have not been registered into the LMK system, which in practice can lead to double withdrawals or conflicts of authority against licenses granted directly by the creator.

According to Marcel Siahaan, Commissioner of the National Collective Management Institute of Related Rights, the direct license system can be done but it will be difficult in practice. This is because Indonesia is more inclined to implement an indirect license system through the Collective Management Institution (LMK) and the National Collective Management Institution (LMKN) because it considers aspects of legal security and order in copyright management, especially to prevent the occurrence of thuggish practices in the withdrawal of royalties. If the license is managed freely by each creator or party without a centralized system, it is feared that individuals will appear on behalf of the copyright owner to withdraw royalties illegally, without clear legal basis or transparency. With the LMK and LMKN, the government seeks to create a structured, recorded, and supervised mechanism, so that the withdrawal and distribution of royalties is carried out accountably and fairly. In addition, the condition of Indonesia's vast territory complicates the process of the Direct License system (Siahaan, 2025).

Unlike what applies in Indonesia, in the United States, direct licensing is an integral part of the copyright royalty legal system, because this licensing mechanism has also been explicitly regulated in The Copyright Act of 1976, specifically in 17 U.S. Code § 106. This law authorizes the right owner to grant a license directly or by third-party intermediary to the user. This system runs alongside the management of collective licensing by organizations such as ASCAP (American Society of Composers, Authors and Publishers), BMI (Broadcast Music, Inc.), and SESAC. Music creators or publishers have the freedom to withdraw some or all of their work from collective management and manage it directly, providing legal certainty and contractual freedom to the parties.

Songwriters in the United States can manage economic rights more flexibly and strategically through the direct license system. They have the option to set their own license value, terms of use, duration, and license coverage area. In addition, creators can establish direct working relationships with users, which often opens up opportunities for creative and business collaboration. In this context, direct licenses give creators greater control over their works and increase the transparency of royalty flows.

Music industry players have a clear legal basis to independently draft direct license agreements with creators. This allows them to structure licensing schemes

tailored to business needs and market developments, such as; exclusive licenses for digital distribution, use in advertising, or involvement in cross-media projects including performance use. This increases contractual efficiency and speeds up the production and distribution of works. Music industry organizations in the US also have access to licensing and metadata databases that enable quick verification of rights. As such, industry players can ensure that they obtain legitimate usage rights and avoid the risk of infringement. While the implementation of direct licensing in the US still entails significant legal costs and management, the benefits of flexibility and efficiency make it the preferred system in many business scenarios.

Overall, there are indeed differences in the legal framework between Indonesia and the United States in the application of this direct license, although not too significant. This certainly shows the importance of changes and adjustments to existing regulations in Indonesia to create legal certainty and space for freedom for creators and music industry players to choose their IPR protection mechanisms. Without clarity, the direct license system in Indonesia is difficult to develop in a healthy and functional manner. Legal uncertainty can lead to conflicts of norms, namely clashes between applicable legal provisions that can lead to legal problems in the future. The form can be in the form of norm contention, which is a conflict of content between two contradictory rules; norm reduction, which is when one rule narrows or reduces the meaning of another rule; and norm distortion, which is a deviation of the meaning of the norm due to inconsistent application. These three forms can confuse the public and weaken the certainty and effectiveness of the law itself (Halihah and Arif, 2021). Whereas legal certainty is one of the main requirements that must exist in law enforcement. This certainty serves as justiciable protection against arbitrary actions, which means that everyone has the right to obtain what they are entitled to under certain conditions in accordance with applicable rules (Mertokusumo, 2007).

4. Conclusion

In copyright, there are moral rights that are permanently attached to the creator and economic rights that can be transferred through licenses, either direct licenses directly between creators and users, or indirect licenses through Collective Management Institutions (LMK) that manage royalties, in accordance with Indonesian regulations such as Law No. 28 of 2014 and PP No. 56 of 2021. This license system aims to guarantee the right of creators to obtain royalties as an economic reward for their works, although in practice there are still challenges related to the overlapping authority of LMK and LMKN and the preference of some musicians for direct licensing as an alternative. In the United States, copyright protection is regulated in The Copyright Act of 1976 which emphasizes utilitarian and economic aspects, provides moral rights in the form of attribution and integrity rights, and recognizes exclusive and non-exclusive licenses that regulate

the transfer of copyright, thus supporting the sustainability and fair and legal use of creative works.

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