

## The Problematics of Unclaimed Royalty Funds in The Governance of National Collective Management Organizations in Indonesia

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### ABSTRACT:

The management of music royalties is part of the protection of creators' economic rights, as stipulated in Law No. 28 of 2014 on Copyright, specifically Articles 87 to 93 concerning royalty management through Collective Management Organizations. To improve the effectiveness of royalty collection and distribution, the government established a one-stop management system through the National Collective Management Organization (LMKN), as regulated in Government Regulation No. 56 of 2021. However, in practice, the issue of unclaimed royalty funds persists due to unregistered creators, limited data on the use of works, and the suboptimal integration of the royalty distribution system. This study aims to analyze the legal framework governing music royalty management and the status of unclaimed royalty funds within the National Collective Management Organization system, as well as to examine issues related to the management and distribution of unclaimed royalty funds in the practical governance of the LMKN. The research method used is normative legal research, employing statutory and analytical approaches. The results of the study indicate that the royalty management system is centrally regulated through the LMKN and distributed periodically through Collective Management Organizations (LMKs) to creators based on data regarding the use of works. However, unclaimed royalty funds remain due to data limitations and the fact that some creators have not yet registered with a Collective Management Organization. These funds are temporarily held by the LMKN until the rights holders file a claim. This situation creates uncertainty regarding the fulfillment of creators' economic rights, thereby necessitating improved data collection, greater transparency in governance, and stronger integration among stakeholders involved in music royalty management.

## INTRODUCTION

The development of the music industry in Indonesia, as part of the creative economy sector, has exhibited increasingly complex and significant dynamics over the past few decades. Music is no longer viewed merely as a form of artistic expression but has transformed into an economic commodity with high commercial value that contributes to national economic growth (Sardjono, 2018). This is evident in the increasing use of musical works across various business sectors, such as restaurants, hotels, broadcasting media, and digital platforms. Therefore, legal protection of creators' economic rights is crucial to ensure that every use of musical works provides fair economic benefits to copyright holders (Widijowati, 2023).

Normatively, the protection of creators' economic rights is regulated under Law No. 28 of 2014 on Copyright, which grants creators the exclusive right to obtain economic benefits from their works. The law explicitly stipulates that any commercial use of a copyrighted work must provide compensation in the form of royalties to the creator or copyright holder. To facilitate royalty management, Articles 87 to 93 of the Copyright Law provide for the establishment of Collective Management Organizations (CMOs) as institutions authorized to collect and distribute royalties. Thus, the state has provided a sufficiently comprehensive legal framework to ensure the protection of creators' economic rights in the music industry (Saidin, 2017).

To strengthen the effectiveness of the royalty management system, the government subsequently issued Government Regulation No. 56 of 2021 on the Management of Royalties for Copyrighted Songs and/or Music. This regulation introduces a centralized royalty management system through the National Collective Management Organization (LMKN) as the national coordinator. The LMKN functions as a one-stop administrator that collects royalties from commercial users and distributes them to creators through Collective Management Organizations (LMKs). The implementation of this system is expected to improve transparency, accountability, and efficiency in the management of music royalties in Indonesia (Riswandi, 2020a).

In practice, the establishment of the LMKN represents a progressive step toward improving the previously fragmented management of music royalties. A centralized management system enables the integration of data on music usage, making the royalty distribution process more measurable and data-driven. In addition, this system provides stronger protection for creators in securing their economic rights on a sustainable basis. However, the effectiveness of this system depends heavily on data quality, creator participation, and user compliance in paying royalties (Ramli, 2019).

Although a clear legal and institutional framework is already in place, the implementation of royalty management through the LMKN still faces various challenges. One of the main issues is the existence of royalty funds that have not been claimed by creators within a certain period. This situation arises due to various factors, such as creators who have not yet registered with an LMK, limitations in the data collection system, and the suboptimal integration of information technology. As a result, a portion of royalty funds cannot be immediately distributed to the rightful recipients and remains temporarily under the management of the LMKN.

The issue of unclaimed royalty funds raises significant legal implications, particularly from the perspective of legal certainty and justice. In legal theory, legal certainty is one of the fundamental principles that must be guaranteed by the state in every applicable legal system. When royalty funds cannot be distributed in a timely manner to creators, this condition may potentially violate the economic rights to which they are entitled (Pramono, 2019).

Advances in digital technology have also presented new challenges for music royalty management in Indonesia. The digitization of music distribution through streaming platforms and social media has increased the complexity of tracking the use of copyrighted works. On the one hand, technology offers opportunities to enhance transparency through data-driven systems. On the other hand, it also creates difficulties in ensuring the accuracy of royalty

distribution (Munawaroh, 2021). Therefore, reform of the royalty management system is needed, particularly one based on integrated and accountable information technology.

In this context, innovation is needed in the system for registering works, not merely as an administrative process but also as a mechanism with strong evidentiary value, such as through the creation of a notarial deed. A notarial deed, in the form of a statement by the composer or copyright holder regarding their musical work, can serve as authentic evidence affirming ownership and the originality of the work from the outset. Furthermore, this registration can be integrated with the Collective Management Organization (CMO) and National Collective Management Organization (NCMO) systems as an initial database in the process of detecting, identifying, and tracking the use of musical works. The integration of notarial registration with the royalty management system is expected to strengthen data validity, minimize the potential for disputes, and expedite the distribution of royalties to the rightful parties. With a robust data collection system in place from the beginning of the creation process, the potential for unclaimed royalties can be minimized because the creator's identity and ownership of the work are legally documented and directly linked to the royalty distribution system. Therefore, this reformulation is expected to enhance the accountability of the LMKN while providing legal certainty and fairness for creators in securing their economic rights.

Several studies have examined the management of music royalties and the problem of unclaimed royalty funds. Ramli (2019) analyzed the role of the National Collective Management Institute in music royalty management in Indonesia and found that the effectiveness of royalty management is highly dependent on data quality and creators' participation in the registration system. Susanti (2020) examined royalty management by the LMKN and found that the absence of provisions regarding the deadline for royalty claims is one of the main problems in the management of unclaimed funds, creating legal uncertainty for creators. Tanuwijaya (2022) examined the problem of unclaimed royalties and concluded that the regulation in Government Regulation No. 56 of 2021 has not provided clarity regarding the status of funds after the announcement period ends, which may cause stagnation in fund circulation and weaken the protection of creators' economic rights.

This research offers several novelties. First, this study integrates normative juridical analysis with the principles of good governance and legal certainty in formulating a mechanism for managing unclaimed royalty funds. Second, this study positions the registration of works through a notarial deed as an instrument to strengthen initial data on the identity of creators and ownership of works, an aspect that has been neglected in the royalty management system in Indonesia. Third, this study systematically identifies regulatory gaps in Government Regulation No. 56 of 2021, particularly regarding the status of funds after the announcement period ends and the mechanism for their use in supporting the sustainability of the national music industry.

Based on the discussion above, this study aims to analyze the legal framework governing the management of music royalties in Indonesia, particularly regarding the status of unclaimed royalty funds within the National Collective Management Organization (LMKN) system, as well as to examine issues arising in the practice of managing and distributing these funds. Furthermore, this study aims to formulate solutions that can enhance effectiveness, transparency, and legal certainty in the governance of music royalties in Indonesia. The

research method employed is a normative legal method using statutory and conceptual approaches, based on primary legal sources such as laws and regulations, as well as secondary legal sources including relevant academic literature and scientific journals (Marzuki, 2017). Through this approach, this study is expected to provide academic and practical contributions to the development of a more modern and equitable copyright protection system.

## **METHOD**

This study employs a normative legal research method (normative juridical research) using both a statutory approach (statute approach) and an analytical approach. The statutory approach is conducted by examining relevant legal instruments governing copyright and music royalty management, particularly Law No. 28 of 2014 on Copyright, especially Articles 87 to 93 concerning royalty management through Collective Management Organizations (CMOs), as well as Government Regulation No. 56 of 2021 regarding the implementation of the National Collective Management Organization (LMKN). The analytical approach is used to critically examine the legal issues surrounding the existence and management of unclaimed royalty funds within the CMOs system in Indonesia.

The data used in this research consist of primary, secondary, and tertiary legal materials. Primary legal materials include laws and regulations related to copyright and royalty management. Secondary legal materials include scholarly books, academic journals, legal articles, and relevant previous studies discussing intellectual property rights and royalty distribution systems. Tertiary legal materials include legal dictionaries, encyclopedias, and other supporting references. Data collection is conducted through library research (library study), while data analysis is carried out using qualitative descriptive analysis to interpret legal norms, identify regulatory gaps, and evaluate the effectiveness of the royalty management system within the LMKN framework, particularly in addressing the issue of unclaimed royalty funds and ensuring the fulfillment of creators' economic rights.

## **RESULTS AND DISCUSSION**

### **Legal Regulations on Music Royalty Management and the Status of Unclaimed Royalty Funds in the National Collective Management Organization System**

The legal framework governing the administration of music royalties in Indonesia is an integral part of the copyright protection system, which aims to safeguard the economic rights of creators and holders of related rights. In this context, Law No. 28 of 2014 on Copyright provides a normative basis that any use of copyrighted works, particularly songs and/or music for commercial purposes, must obtain permission from the rights holder and be accompanied by the payment of royalties. This provision is explicitly reflected in Article 9(1), which governs the economic rights of creators, as well as Article 9(2), which affirms that any person exercising economic rights must obtain permission from the creator or copyright holder. Furthermore, Article 9(3) states that any commercial use must provide compensation to the creator or holder of related rights (Indonesia, Undang-Undang Nomor 28 Tahun 2014 tentang Hak Cipta, Pasal 9). Royalties, as a form of economic compensation, serve a strategic function in promoting the welfare of creators and supporting the sustainability of the national music industry. Therefore, the legal framework for royalties is oriented not only toward the protection of individuals but also toward strengthening the national creative economy ecosystem (Riswandi, 2019).

These strengthened regulations were subsequently implemented through Government Regulation No. 56 of 2021 on the Management of Royalties for Song and/or Music Copyrights, which sets forth the technical mechanisms for the collection, management, and distribution of music royalties. Article 3 stipulates that any person may use songs and/or music commercially by paying royalties through the National Collective Management Organization (LMKN). The LMKN is a non-state-budget government-supported agency established by the Minister pursuant to the Copyright Law, with the authority to collect, manage, and distribute royalties, as well as to manage the economic rights of creators and holders of related rights in the field of songs and/or music. The LMKN is tasked with collecting, managing, and distributing royalties for the commercial use of songs and/or music, as well as announcing royalties that have not yet been distributed. In carrying out these duties, the LMKN acts as an intermediary between commercial users and creators while ensuring that the royalty management system operates efficiently, transparently, and in an integrated manner through a one-stop mechanism. Furthermore, Article 9 stipulates the obligation of commercial users to pay royalties based on the established rates. This regulation also introduces a one-stop system through the LMKN to ensure efficiency and transparency in royalty management. As a result, the royalty management system in Indonesia has become more structured and integrated into a single national system (Ramli, 2018).

In practice, one of the most obvious forms of commercial use of songs and/or music is the organization of music concerts. Concerts are events that directly utilize musical works for commercial purposes through ticket sales, sponsorships, or other forms of monetization. Therefore, concert organizers fall under the category of commercial users who are required to obtain licenses and pay royalties to creators or rights holders through the National Collective Management Organization (LMKN). In this context, concerts also reflect the complexity of royalty management because they involve various parties, such as promoters, artists or performers, venue providers, and sponsors. This complexity often leads to issues regarding the recording of song usage, transparency in royalty distribution, and the potential emergence of unidentified royalty funds. Consequently, the concert industry has become one of the most relevant sectors for assessing the effectiveness of the royalty management system in Indonesia.

In practice, concerts featuring singers such as Agnez Mo constitute a form of commercial use of songs that requires royalty payments through the LMKN. However, concert organizers often face challenges in documenting the songs performed, including the setlist, and determining which party is responsible for such documentation. This may lead to inaccuracies in royalty distribution and even result in unclaimed royalty funds. Therefore, concerts serve as a concrete example illustrating the importance of a transparent and integrated royalty management system.

Within the institutional framework, the LMKN plays a strategic role as an entity authorized to collect and distribute royalties collectively. This is in accordance with Article 89 of Law No. 28 of 2014 on Copyright, which governs the establishment of collective management organizations to manage the economic rights of creators and holders of related rights (Indonesia, Undang-Undang Nomor 28 Tahun 2014 tentang Hak Cipta, Pasal 89). The LMKN does not operate independently but coordinates with Collective Management Organizations (LMKs), which represent the interests of creators, performers, and phonogram producers. The LMKN's authority includes collecting royalties from commercial users,

managing royalty funds, and distributing them to rights holders based on usage data of the works. Thus, the LMKN functions as a legal bridge between users of musical works and copyright holders within an integrated system (Margono, 2016).

The royalty management mechanism within the LMKN system essentially comprises three main stages: collection, management, and distribution. During the collection stage, the LMKN collects royalties from commercial users based on the licenses granted, as stipulated in Article 3 of Government Regulation No. 56 of 2021 on the Management of Royalties for Copyrighted Songs and/or Music. Subsequently, the collected funds are managed through a verification and recording process based on the central database system for songs and/or music, as stipulated in Article 6 of Government Regulation No. 56 of 2021. In the final stage, royalties are distributed to creators and related rights holders through LMKs in accordance with verified song usage data. Thus, this system is designed to ensure fair and proportional royalty distribution (Hafiz et al., 2021a).

Although comprehensively regulated, the management of music royalties in practice still faces various challenges related to data validity, transparency, and user compliance. One of the main issues is the suboptimal implementation of the song data center as mandated by Article 6 of Government Regulation No. 56 of 2021 on the Management of Royalties for Song and/or Music Copyrights, which has the potential to cause inaccuracies in royalty distribution. In addition, many commercial users have not yet complied with their royalty payment obligations, as stipulated in Article 9 of Government Regulation No. 56 of 2021 (Syamsudin, 2019a).

Under Indonesia's music royalty management system, songwriters, musicians, and singers must, in principle, be registered with a Collective Management Organization (CMO) affiliated with the National Collective Management Organization (NCMO) so that their economic rights can be collected and distributed optimally. However, in practice, many musicians still do not understand the system or have not registered their works or membership within it. This situation results in the commercial use of songs, such as in concerts or business establishments, generating royalties collected by the LMKN, yet these royalties cannot be distributed to the rightful recipients due to the absence of verified data. Consequently, these funds have the potential to become unclaimed royalties, which are temporarily held by the LMKN in accordance with the provisions of Government Regulation No. 56 of 2021. Therefore, the main issue lies not only in the compliance of commercial users but also in the low awareness and participation of creators in the registration system, which directly affects the suboptimal distribution of royalties.

In this context, a further issue arises in the form of royalty funds that cannot be distributed to rights holders, commonly known as unclaimed royalty funds. These funds generally arise due to incomplete creator data, unregistered works in the system, or disputes over ownership rights to a song. The existence of unclaimed funds is a logical consequence of a collective management system involving many parties and complex data. Therefore, clear legal regulations are needed to determine their status and management mechanisms so that they do not create legal uncertainty (Susanti, 2020).

Normatively, provisions regarding unclaimed royalty funds are set forth in Article 15(1) of Government Regulation No. 56 of 2021 on the Management of Royalties for Song and/or Music Copyrights, which states that royalties for which the creator or related rights holder is unknown must be held in trust and announced by the LMKN. Furthermore, Article 15(2)

stipulates that such announcements must be made within a maximum period of two years. This provision aims to provide an opportunity for the entitled parties to claim the royalties. Thus, the state continues to recognize that unclaimed royalty funds do not belong to the LMKN but remain the rights of the creator or holder of related rights (Ginting, 2021).

From a legal perspective, unclaimed royalty funds remain part of the creator's economic rights as stipulated in Law No. 28 of 2014 on Copyright, specifically Article 8, which affirms economic rights as exclusive rights to derive economic benefits, as well as Article 9(1), which outlines the forms of utilization of works that generate royalties. Therefore, the National Collective Management Organization (LMKN) essentially acts only as a temporary administrator with the obligation to collect, safeguard, and administer such unclaimed royalty funds, as provided for in Articles 87 to 93 of the Copyright Law. This principle aligns with the concept of fiduciary duty in civil law, which requires good faith and responsibility in managing funds belonging to others. Thus, any use of unclaimed royalty funds without a valid legal basis may be classified as a violation of the creator's economic rights and could even give rise to legal liability if there are elements of misuse or unauthorized control over such funds (Muthmainnah, 2022).

Regulations regarding unclaimed royalty funds still contain legal gaps, particularly concerning the status of the funds after the expiration of the announcement period, as stipulated in Article 15(2) of Government Regulation No. 56 of 2021 on the Management of Royalties for Song and/or Music Copyrights. The regulation does not provide clarity on whether these funds can be transferred, utilized, or kept indefinitely. This regulatory gap has the potential to create legal uncertainty and open opportunities for misuse (Tanuwijaya, 2022).

From the perspective of legal certainty, this situation highlights the need to strengthen legal norms that are not merely declaratory but also detailed, operational, and implementable in practice, so as to provide clarity, certainty, and predictability for creators in understanding and asserting their economic rights (Syamsudin, 2019b). In the context of music royalty management, legal certainty requires explicit regulations regarding the limitation period for royalty claims and their legal consequences, transparent and accountable mechanisms for managing unclaimed funds, and clarity regarding the legal status of such funds to prevent regulatory gaps that could potentially be exploited. Furthermore, the authority of royalty management institutions must be clarified to avoid overlapping responsibilities and conflicts among institutions, ensuring that the processes of distribution, oversight, and determination of fund status can proceed effectively and fairly. Without such clarity, creators' rights risk being neglected, and trust in the copyright protection system may weaken. Thus, regulatory reform must be a strategic step that goes beyond mere textual amendments and encompasses a comprehensive restructuring of the legal system, thereby achieving transparent and efficient royalty governance that ensures legal certainty for all parties.

From an institutional governance perspective, the management of unclaimed royalty funds must be based on the principles of transparency and accountability, as reflected in the principles of good governance (Riswandi, 2020b). As the managing body, the LMKN must be able to provide a transparent reporting system that is accessible to stakeholders. This is essential to prevent misuse and enhance public trust. With an independent and periodic audit mechanism, the management of royalty funds can be held accountable both legally and morally.

On the other hand, advancements in digital technology offer opportunities to enhance the effectiveness of music royalty management, as mandated by Article 6 of Government Regulation No. 56 of 2021 on the Management of Copyright Royalties for Songs and/or Music regarding the song data center. An integrated digital system enables more accurate recording of works and distribution of royalties. However, without robust infrastructure and data integration, the potential for errors remains high. Therefore, the digitization of the royalty management system must become a policy priority (Riswandi, 2020a).

From the perspective of fairness and public benefit, unclaimed royalty funds have the potential to be utilized productively to support the national music industry. However, such utilization must still adhere to the principle of protecting creators' rights as stipulated in Article 9 of Law No. 28 of 2014 on Copyright (Ramli, 2020). Thus, a legal mechanism is needed that allows the utilization of these funds without depriving creators of their right to claim them.

From an economic law perspective, the management of music royalties and unclaimed royalty funds is also linked to economic efficiency. As a source of intellectual property-based revenue, royalties make a significant contribution to the creative industries. Therefore, unclaimed funds must be managed optimally to avoid economic inefficiencies. In this regard, the National Collective Management Organization needs to develop adaptive and sustainable policies.

Within a progressive legal framework, the management of unclaimed royalty funds must be directed toward substantive justice for creators. This approach emphasizes that the law should not merely be formal in nature but must provide tangible benefits to society. Therefore, policy innovation is needed in the management of unclaimed funds to make the system more adaptive and responsive to creators' needs. Thus, the royalty management system can provide legal certainty, justice, and optimal benefits (Rahardjo, 2018).

### **Issues Regarding the Management and Distribution of Unclaimed Royalty Funds in the Governance Practices of LMKN**

The issue of the management and distribution of unclaimed royalty funds within the LMKN governance framework is one of the most critical issues in Indonesia's copyright protection system. Under Law No. 28 of 2014 on Copyright, royalties form part of the creator's exclusive economic rights, as stipulated in Article 8, which states that economic rights are the creator's exclusive right to derive economic benefits from their work, and Article 9(1), which affirms that any use of a work for commercial purposes must obtain permission and provide remuneration in the form of royalties to the creator. The state, through the LMKN, is mandated to ensure that the collection and distribution of royalties are carried out effectively and fairly, as stipulated in Article 87(1), which states that creators may become members of a Collective Management Organization (CMO) to collect, pool, and distribute royalties (Ramli, 2019).

In practice, however, there is a gap between the royalties collected and those that can be distributed, which has led to the phenomenon of unclaimed royalty funds becoming a systemic issue in LMKN governance.

The context of live performances, such as music concerts, presents greater complexity, as concert royalties constitute one of the main sources of royalty collection yet are often not distributed optimally. Every concert, by its very nature, constitutes a form of commercial use of a work through performing rights, which requires the payment of royalties to songwriters

through the LMKN. However, practice on the ground shows that not all musicians, singers, or concert organizers understand this obligation, particularly regarding the requirement to be registered in the LMKN or LMK system as the basis for royalty distribution. This situation means that the rights holders of much of the royalty revenue from concerts cannot be identified, thereby contributing directly to the high amount of unclaimed funds.

The main issue in the management of unclaimed royalty funds lies in the absence of explicit regulations regarding the management mechanism. Government Regulation No. 56 of 2021 on the Management of Royalties for Song and/or Music Copyright does regulate the system for the collection and distribution of royalties, particularly in Article 3, which stipulates that any person making commercial use of songs and/or music is obliged to pay royalties through the LMKN, and Article 9, which regulates the mechanism for distributing royalties to rights holders. However, Government Regulation No. 56 of 2021 does not provide detailed provisions regarding the management of funds that cannot be distributed. Consequently, the LMKN lacks clear legal guidelines for handling unclaimed funds, thereby creating legal uncertainty and highlighting a legal gap in the national royalty management system (Jened, 2017).

In general, concert organization practice places the promoter or organizer as the party responsible for paying royalties through a licensing mechanism to the LMKN before the event takes place. The licensing aspects of a concert are not only related to public gathering permits from the police and venue-use permits from the local government but also include the obligation to obtain a license for the use of musical works through performing rights administered by the LMKN. Consequently, every concert should legally be subject to a multilayered licensing regime, including aspects of copyright protection. However, weak oversight and low legal awareness mean that many concerts do not go through this licensing mechanism, resulting in royalties not being collected or distributed optimally.

The absence of provisions regarding the time limit for royalty claims is one of the main sources of problems in the management of unclaimed funds at the LMKN. Law No. 28 of 2014 on Copyright regulates the term of copyright protection in Article 58, which in principle provides protection for the duration of the creator's life and continues for 70 years after the creator's death. However, this provision only regulates the duration of copyright protection in general, not the time limit for claims on royalties collected by the LMKN. This regulatory gap has serious implications in practice, as there is no certainty as to when a claim is deemed to have lapsed or can no longer be pursued. Consequently, unclaimed royalty funds risk being held indefinitely without a clear time limit, thereby creating stagnation in fund circulation and hindering the optimization of economic benefits for creators and the creative industry ecosystem as a whole. From a legal certainty perspective, this situation indicates a lack of legal clarity that risks giving rise to multiple interpretations and irregularities in royalty management practices.

This issue is particularly evident in the case of concert royalties, as many musical works performed by artists are not always accompanied by accurate recording or reporting to the LMKN. Popular singers or performers such as Agnez Mo often perform songs involving multiple songwriters or rights holders. When creators' details are not linked to the LMKN system or when they are not registered as LMK members, it becomes difficult to distribute

royalties from such performances, meaning that these royalties risk becoming unclaimed funds with no clear time limit.

The legal uncertainty surrounding unclaimed royalty funds is also a fundamental issue that has yet to be resolved normatively. In intellectual property law doctrine, royalties form part of the economic rights inherent to the creator as a private right, as affirmed in Article 16(1) of Law No. 28 of 2014 on Copyright, which states that copyright is an intangible movable asset that may be transferred. Consequently, conceptually, royalties remain the property of the creator even if they have not been claimed. However, in LMKN practice, there are no explicit provisions governing whether such funds must be retained as the creator's absolute property or may be allocated for other purposes under certain conditions. This normative vacuum creates room for potential conflicts of interest, both between creators and the LMKN and among stakeholders within the creative industries. In the context of legal theory, this situation reflects a normative vacuum that has the potential to create legal uncertainty and weaken the protection of creators' economic rights (Sardjono, 2016).

The nature of concert royalties, which involve numerous legal entities ranging from songwriters, composers, arrangers, and publishers to performers, demonstrates that royalty distribution is heavily dependent on the clarity of identity and membership status within the LMK. When one of the parties is unregistered or unidentified, royalty distribution is hindered, leading to the accumulation of unclaimed funds. This issue is also closely linked to the suboptimal administration and recording of works. Article 64(1) of Law No. 28 of 2014 on Copyright stipulates that the registration of works is intended to provide legal certainty; however, the system is optional rather than mandatory (Riswandi, 2018).

Consequently, many creators fail to register their works, making it difficult to identify the rightful recipients during royalty distribution. This lack of data is one of the main causes of unclaimed funds, as the LMKN lacks sufficient information to distribute royalties to the rightful recipients. In terms of governance, this indicates that the existing administrative system is not yet capable of optimally supporting the effective distribution of royalties. Therefore, there is a need to strengthen the data collection system to make it more comprehensive and integrated.

Given these circumstances, reform is needed that does not rely solely on routine administrative recording but also strengthens the legitimacy of ownership of a work from the outset through the creation of a notarial deed in the form of a declaration by the composer or copyright holder regarding their work. The presence of a notarial deed is crucial, as it serves as authentic evidence providing certainty regarding the creator's identity, the rights holder, the title of the work, the form of the work, and the declaration of ownership of the relevant work. This notarial registration of works can subsequently be integrated into the LMK/LMKN system as an initial step in identifying these works. Through this model, the LMKN would not only receive administrative data on works but also obtain legally validated initial data, thereby facilitating the identification of the parties entitled to receive royalties.

The concept of notarial registration is relevant because the issue of unclaimed royalty funds essentially stems not only from weak distribution systems but also from a weak foundation for data collection and verification of ownership of works. When a work is initially recorded in a notarial deed and subsequently linked to the LMK/LMKN system, the process of identifying royalties from commercial use, including concerts, broadcasts, and digital

utilization, can be conducted more accurately. Such a system would minimize the occurrence of undetected works, unidentified creators, and royalties that cannot be distributed due to inadequate data. This means that strengthening data collection through notarial registration is a form of preventive protection that operates at the source, thereby reducing distribution issues at the downstream stage.

The reality on the ground shows that many musicians, particularly independent musicians, have not yet registered their works or themselves as members of an LMK. This situation means that the LMKN system is unable to accurately identify those entitled to receive royalties from concerts, with the result that collected funds cannot be distributed effectively. Limitations in system integration between the LMKN and LMKs further exacerbate the existing problems. This situation has a direct impact on the management of concert royalties, as data on the use of songs in a performance is not always integrated with the national database of creators. Consequently, even though promoters have fulfilled their royalty payment obligations, distribution remains suboptimal due to data synchronization issues.

In legal terms, Article 89(2) of Law No. 28 of 2014 on Copyright stipulates that the LMKN is responsible for collecting and distributing royalties nationwide (Hafiz et al., 2021b). However, in practice, each LMK has a different data management system, meaning that there is no comprehensive synchronization. Consequently, data discrepancies frequently occur, which directly result in royalties not being distributed to the rightful creators. This situation reflects the weakness of information system-based governance in the management of national royalties. From an institutional management perspective, this lack of system integration highlights the need for technology-driven structural reform capable of integrating all data on creators and the use of works at the national level.

A lack of coordination between institutions is also a factor hindering the effective management of royalties. Article 90 of Law No. 28 of 2014 on Copyright grants the LMKN the authority to manage royalties at the national level; however, in practice, there remains an overlap of authority between the LMKN and LMKs. This results in an inefficient royalty distribution process and has the potential to cause duplication or gaps in distribution. This weak coordination not only leads to an increase in unclaimed funds but also indicates that the institutional design within the collective management system is not yet functioning optimally. Therefore, there is a need to strengthen coordination based on a clear and structured division of authority (Arifardhani, 2022).

From the perspective of transparency, Article 91 of Law No. 28 of 2014 on Copyright stipulates the obligation of LMKs to submit reports to their members. However, in practice, transparency regarding undistributed royalty funds remains very limited. Creators do not have adequate access to information regarding the amount of royalties that have been collected, distributed, or held in reserve. This situation fosters mistrust in the LMKN as a royalty management body and risks reducing creators' participation in the collective management system (Mandala, 2025). From the perspective of good governance, transparency is a fundamental principle that must be upheld to ensure institutional legitimacy.

Limitations in accountability in the management of royalty funds are also a matter of no less importance. Although there are reporting obligations, Government Regulation No. 56 of 2021 on the Management of Royalties for Copyrighted Songs and/or Music does not yet provide detailed provisions regarding audit mechanisms for royalty funds, particularly

unclaimed funds. This results in weak oversight of the management of these funds, thereby potentially leading to irregularities. From an administrative law perspective, this situation indicates that the application of accountability principles in the management of public finances derived from private rights is not yet optimal. Therefore, there is a need to strengthen independent and transparent audit mechanisms.

With the advancement of digital technology, the challenges of royalty management have become increasingly complex. Article 9(2) of Law No. 28 of 2014 on Copyright has, in fact, provided for the use of works through communication to the public, including via digital media. However, the current system for tracking the use of works is not yet capable of accurately identifying every instance of use on digital platforms. Consequently, many royalties cannot be directly attributed to the entitled creators and thus fall into the unclaimed category. This indicates that the issue of royalty management is not merely a legal one but also a technological one (Makarim, 2019).

Another significant issue is the lack of a mechanism for utilizing unclaimed royalty funds. Neither Law No. 28 of 2014 on Copyright nor Government Regulation No. 56 of 2021 provides explicit provisions regarding the use of such funds if they remain unclaimed within a certain period. This results in the funds remaining dormant and failing to contribute to the development of the creative industries. Yet, from a legal utility perspective, these funds should be utilized for broader purposes, such as creator welfare programs or the development of the creative ecosystem. The significant potential for royalties arising from concert activities demonstrates that unclaimed funds could be managed productively if there were a clear legal basis. The absence of regulations regarding the utilization of these funds means that they remain passively held without making a tangible contribution to the welfare of musicians or the development of the national music industry.

The impact of this situation is highly significant for the protection of creators' economic rights. This runs counter to the primary purpose of copyright as set out in Article 3(b) of Law No. 28 of 2014 on Copyright, which states that copyright is intended to provide economic benefits to creators. When royalties cannot be distributed in a timely, targeted, and transparent manner, this objective is not optimally achieved and may even potentially cause real losses to creators as legal subjects who should derive direct benefits from the use of their works. Furthermore, this situation may weaken the incentive for creators to continue producing works, as there is no guarantee that their economic rights will be effectively protected and realized in practice.

Overall, this situation highlights a gap between legal norms and their implementation. The ineffectiveness of the royalty management system reflects the failure of the legal framework to achieve the objectives of legal protection, particularly in ensuring certainty, justice, and benefit for creators. This issue is not merely administrative or technical in nature but also reflects structural weaknesses in the design of regulations and institutional governance. Therefore, a comprehensive reformulation of regulations is required, including strengthening the provisions of Law No. 28 of 2014 on Copyright and refining Government Regulation No. 56 of 2021, particularly regarding claim time limits, the legal status of undistributed funds, and mechanisms for their utilization to avoid legal uncertainty. Furthermore, strengthening the oversight system, transparency, and accountability of the royalty management body is also a crucial prerequisite. Consequently, LMKN governance can operate more effectively,

efficiently, and fairly and restore creators' confidence in Indonesia's copyright protection system.

Resolving the issue of unclaimed royalty funds requires more than merely updating distribution guidelines; it must begin with strengthening the data collection system and early detection of copyrighted works. This strengthening can be achieved through the creation of a notarial deed in the form of a statement by the composer or copyright holder regarding their work, serving as a form of notarial protection and registration of the creation, which is subsequently registered in the LMK/LMKN system as the initial step in detecting their works. This model offers a new approach by positioning notarial registration as a legal verification instrument that can strengthen certainty regarding the rights holder's identity, promote transparency in governance, and serve as the foundation for establishing clearer mechanisms in the management of unclaimed royalty funds. Thus, the innovation lies in strengthening data collection, governance transparency, and the formulation of a more robust mechanism for unclaimed royalty funds through the integration of notarial registration and the national collective management system, so that LMKN governance can operate more effectively, efficiently, and equitably.

## **CONCLUSION**

The legal framework governing the management of music royalties in Indonesia is firmly established under Law No. 28 of 2014 on Copyright, particularly Articles 8 and 9(1)–(3), which stipulate that royalties form part of the creator's exclusive economic rights concerning the commercial use of their works. This framework is further reinforced by Government Regulation No. 56 of 2021 on the Management of Royalties for Copyrighted Songs and/or Music, particularly Articles 3, 6, and 9, which regulate the mechanisms for the collection, management, and payment of royalties through a one-stop system administered by the National Collective Management Organization (LMKN). Within this framework, unclaimed royalty funds, as stipulated in Article 15(1) and (2) of Government Regulation No. 56 of 2021, remain the economic rights of unidentified creators. Consequently, the LMKN acts solely as a temporary administrator obliged to hold and announce such funds without eliminating the right of the rightful owner to claim them. However, the lack of clarity regarding the subsequent status of these funds once the announcement period has expired creates legal uncertainty. Therefore, more detailed, transparent, and accountable regulations are required to ensure legal certainty and optimal protection of creators' economic rights within the national royalty management system.

The problem of managing and distributing unclaimed royalty funds within the LMKN's governance practices indicates serious normative, administrative, and institutional weaknesses in Indonesia's copyright protection system, particularly regarding concert royalties, which constitute a significant source of royalty revenue but are prone to remaining undistributed. The absence of clear regulations regarding claim deadlines, the legal status of undistributed funds, mechanisms for their utilization, and the lack of integration of data systems among the LMKN, LMKs, creators, performers, and concert organizers have resulted in many royalties remaining unidentified or undistributed to their rightful recipients. This situation is exacerbated by low rates of work registration and musician membership in LMKs, weak coordination among institutions, and limited transparency and accountability in fund management. Therefore,

reform is needed that does not merely rely on routine administrative record-keeping but also strengthens the legitimacy of ownership from the outset through the creation of a notarial deed in the form of a statement by the composer or copyright holder regarding their work. The presence of a notarial deed is important because it can serve as authentic evidence that provides certainty regarding the identity of the creator, the rights holder, the title of the work, the form of the work, and a statement of ownership of the work in question. Through this model, the LMKN would not only receive administrative data on works but also obtain legally validated preliminary data, thereby facilitating the identification of parties entitled to receive royalties. Therefore, regulatory reformulation and the strengthening of LMKN governance are needed to ensure a more integrated, transparent, and legally certain system, so that royalty funds, particularly those derived from concert performances, can be managed and distributed effectively and fairly while providing tangible benefits for creators and the national music industry.

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