

RESEARCH ARTICLE



Analysis Of Supreme Court Decision No. 1271 K/Pdt/2009 Concerning Breach Of Performance In International Business Contracts

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ABSTRACT

Cross-border business agreements pose significant challenges in Private International Law (PIL), particularly in defining and resolving cases of default (breach of contract). This study deeply examines the Indonesian Supreme Court Verdict Number 1271 K/Pdt/2009, which adjudicated a payment default dispute for ship repair services between PT LI (a domestic entity) and TSC (a foreign entity), to identify the implications of establishing default, jurisdiction, and compensation. Employing a normative juridical method and a case study approach, the analysis focuses on interpreting the principles of the Law of Obligations within the Indonesian Civil Code (KUH Perdata) as applied to a transnational context. The research findings affirm the rejection of the appeal (cassation) and the reinforcement of the *Judex Facti*'s (lower court judges') verdict, confirming that the foreign party was legally proven to be in default. While this decision establishes legal certainty for the domestic creditor, the case critically underscores the complexity in determining relative authority (jurisdiction) within domestic courts, as well as the inconsistency in the judicial consideration of the awarded compensation amount. Consequently, it is concluded that optimal legal protection in international contracts relies heavily on explicit choice of law and dispute resolution clauses, where Alternative Dispute Resolution (ADR) often offers higher efficiency compared to prolonged litigation pathways.

ARTICLE HISTORY

Received : 20 December 2025
Revised : 25 January 2026
Accepted : 28 January 2026

KEYWORDS

Business Contract;
Private International;
Law, Supreme Court;
Decision;

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1. Introduction

This study examines the legal implications of breach of contract in international business contracts, focusing on an analysis of Supreme Court Decision No. 1271 K/Pdt/2009. This study focuses on how Indonesian courts interpret jurisdiction and apply principles of contract law when contractual disputes involve domestic and foreign parties. In the context of economic globalization, an increasing number of Indonesian companies are entering into cross-border contracts, thus requiring an in-depth analysis of the issue of breach of contract to ensure legal certainty for national businesses in the international market ([Dimatteo, 2025](#)).

The intensity of Indonesia's international business relations has increased significantly, particularly in the trade in services, maritime transportation, and shipbuilding sectors ([Pertwi, 2020](#); [Praharsi & Wee, 2022](#)). The Supreme Court's annual reports in recent years also indicate a steady increase in the number of international civil cases filed with district and high courts, particularly disputes related to commercial contracts, payment for services, and maintenance obligations for ships and other means of production. In the case of this study, a dispute arose between PT LI, a domestic company, and TSC, a foreign company, regarding payment for ship repair services performed in Batam. This empirically reflects the increasing trend of cross-border technical contracts giving rise to payment disputes ([Sriyanto, 2018](#); [Wicaksana, 2017](#)).

The industrial sector shows that Batam, as a free trade zone and maritime industrial hub, has seen an increase in ship repair and maintenance activities involving foreign companies. This increased activity has also resulted in an increase in the number of commercial disputes brought to national litigation ([Afandi & Lukman, 2025](#)). Data from mediators and arbitration institutions operating in Batam shows a trend of increasing complaints related to defaults on technical service payments over the past five years. This strengthens the relevance of this research, as ship repair disputes such as case 1271 K/Pdt/2009 are

not isolated cases but rather part of a general pattern that continues to recur in the industrial area ([Negara & Hutchinson, 2020](#)).

The theory relevant to this research is the principle of *pacta sunt servanda*, which provides the basis for fulfilling contracts according to law for the parties making them. The theory of breach of contract in contract law explains the forms of debtor negligence, the causal relationship between breach and loss, and the basis for imposing compensation as stipulated in Article 1243 of the Civil Code. Meanwhile, the theory of jurisdiction in private international law, including the principles of *lex loci contractus* and *lex loci solutionis*, provides a framework for understanding the determination of the authority of Indonesian courts in disputes involving foreign parties. Several previous studies have also shown that the resolution of breach of contract disputes in international contracts still faces obstacles in Indonesian judicial practice ([Dörr & Schmalenbach, 2012](#)). [Sutedi \(2024\)](#), noted that national courts are often inconsistent in awarding compensation in international contract cases due to the lack of uniform standards for assessing losses. [Smits \(2021\)](#), found that many cross-border contracts fail to establish a choice of law, requiring courts to interpret applicable law themselves, often creating legal uncertainty for the parties. [Assaad & Abdul-Malak \(2020\)](#), revealed that the assessment of losses in breach of contract cases usually does not reflect the doctrines of actual loss and loss of profit, resulting in compensation being disproportionate to the actual losses suffered.

Furthermore, research by [Okoli & Yekini \(2023\)](#), shows that irregularities in determining jurisdiction in international contract disputes often give rise to debates regarding the authority of Indonesian courts, [Sanjaya \(2025\)](#), particularly when contracts involve performance in more than one country. Meanwhile, a study by [Sanjaya \(2025\)](#) highlighted the parties' lack of understanding of international clause structures such as dispute settlement clauses, arbitration clauses, and governing law clauses, which contributes to the increasing number of breach of contract cases ultimately brought to Indonesian courts. Moreover, research by [Penasthika \(2022\)](#), emphasized that most Indonesian court decisions in international contract disputes do not integrate comparative legal principles or international practice, resulting in inconsistencies in legal reasoning.

The urgency of this research lies in the need to strengthen legal certainty for Indonesian business actors operating in international business schemes, especially in sectors with high dispute intensity, such as maritime services, manufacturing, and transportation. Decision 1271 K/Pdt/2009 is an important precedent that illustrates how Indonesian courts position themselves in cross-jurisdictional disputes. The novelty of this research lies in a comprehensive analysis that connects three aspects at once: breach of contract, international jurisdiction, and consistency of damages assessment in one jurisprudential study, which until now has not been the focus of research on private international law in Indonesia. Based on this background, this research is formulated into two main questions: what are the legal implications of Supreme Court Decision Number 1271 K/Pdt/2009 on breach of contract and jurisdiction in international business contracts, and whether the Supreme Court's considerations regarding damages in the decision have been consistent and effective based on the principles of contract law.

2. Methodology

This research employs a normative legal approach with a descriptive qualitative analysis method, focusing on the study of primary, secondary, and tertiary legal materials to understand the legal construction used in Supreme Court Decision Number 1271 K/Pdt/2009. This normative legal approach was chosen because this research emphasizes the analysis of legal norms, principles, and rules that form the basis of judges' considerations in determining breach of contract, establishing jurisdiction, and qualifying compensation in international business contracts. The descriptive qualitative analysis method allows the research to explore the rationality of the decision, the coherence of the legal arguments, and their conformity with applicable contract law doctrine and international legal practice. Thus, this

research not only describes the content of the decision but also systematically and critically analyzes the legal logic employed by the Supreme Court ([Hamzani & Rusli, 2023](#)).

The use of this approach is also supported by the need to evaluate the applicability of fundamental principles in international contract law, such as the principle of *pacta sunt servanda*, the principle of freedom of contract, and the principle of legal certainty, in the context of complex transnational relations. A normative analysis is necessary to examine whether the judge's considerations align with the provisions of the Civil Code regarding breach of contract, particularly Article 1243, and whether the application of substantive law is consistent with the concept of damages as developed in the contract law literature. Furthermore, this approach allows researchers to assess the decision's compliance with jurisdictional principles in private international law, including the use of the principles of territoriality and substantial connection, which often form the basis for determining court authority in international disputes.

Through this normative juridical approach and descriptive qualitative analysis, this study aims to comprehensively analyze the implications of the Supreme Court's determination of breach of contract, the rationality of Indonesian courts' jurisdictional determinations in disputes involving foreign parties, and the consistency of the judge's considerations in determining the amount of damages. This evaluation is crucial to deciding on the extent to which the decision reflects the practical application of contract law principles in the context of international business contracts, which are characterized by differences in jurisdiction and the complexity of transnational legal relations. Furthermore, the results of the analysis are expected to contribute to the development of the theory and practice of international contract dispute resolution in Indonesia, as well as encourage the establishment of clearer, more consistent, and more responsive standards for assessing damages in line with global legal developments ([Boshno, 2015](#)).

3. Results and discussion

3.1 Legal Implications of Supreme Court Decision Number 1271/K/Pdt/2009 concerning default and jurisdiction in international business contracts

Supreme Court (MA) Decision No. 1271 K/Pdt/2009 is a landmark case, affirming the legal implications of breach of contract and jurisdiction in business contracts involving foreign entities in Indonesia. This dispute challenges the ability of the national judiciary to apply the principles of adjectival Private International Law, particularly regarding its jurisdiction. In this case, the Applicant, TSC, as a foreign entity, repeatedly challenged the relative jurisdiction of the Batam District Court. However, the Supreme Court rejected this objection and affirmed that Indonesian courts retain authority to adjudicate disputes whose object and legal consequences occur in Indonesia, even if one of the parties is from another country.

This assertion of jurisdiction is based not solely on the domicile of the parties, but on the existence of strong connecting points: the *locus actus*, the place where the legal act is performed, and the *locus delicti*, the place where the legal consequences arise. In this case, the location of the ship repair contract and the location of the disputed object in Batam provide a strong legal basis for Indonesian courts to uphold their jurisdiction. This approach, which uses the principle of *lex loci solutionis*, aligns with [Marzuki \(2021\)](#) view on the importance of connecting factors in resolving cross-border disputes and with [Sornarajah \(2020\)](#), which emphasizes the role of the national forum in protecting domestic legal interests when foreign business activities are conducted within its jurisdiction. Through a progressive interpretation of procedural provisions, this decision strengthens the legitimacy of national judicial jurisdiction over foreign parties.

Beyond jurisdictional issues, the decision also affirms the application of domestic contract law (the Civil Code) to foreign entities. The Supreme Court declared that TSC had committed a breach of contract by failing to fulfill its obligation to pay the invoice for the agreed-upon repair services. This breach of contract assessment was based on Articles 1239 and 1243 of the Civil Code, which require a defaulting

debtor to compensate for costs, losses, and interest. Thus, the Supreme Court reaffirmed the principle of *pacta sunt servanda*, which states that agreements bind the parties like law, as stipulated in Article 1338 of the Civil Code. Although TSC attempted to defend itself by alleging that the work did not meet specifications and accusing the Plaintiff of acting in bad faith, the Supreme Court held that the obligation to pay for services received must still be fulfilled. This approach aligns with Munir Fuady's (2014) view that breach of contractual obligations involves a violation of the principles of trust and good faith.

From an international contract law perspective, this ruling also highlights the structural weakness of the contract due to the absence of choice of law and forum clauses. The absence of these clauses opens the door to jurisdictional disputes and the potential for forum shopping, although in this case, resolution through domestic litigation remains effective. This situation strengthens the argument that Alternative Dispute Resolution (ADR) methods such as international arbitration are more ideal for cross-border business contracts. Arbitration offers a neutral forum, a mechanism agreed upon by the parties, and the ease of enforcement of cross-border awards through the 1958 New York Convention, thus avoiding the complexity and rigidity of domestic litigation processes ([Rosdiana & Tambunan, 2017](#)).

3.2 Effectiveness and Consistency of Compensation Considerations in Supreme Court Decision Number 1271 K/Pdt/2009

Under Articles 1243 and 1246 of the Civil Code, compensation payable for breach of contract must include costs, actual losses, and interest. However, this case highlights the tension between legal certainty in determining breach of contract and consistency in calculating material sanctions. The effectiveness of this decision is questionable due to the discrepancy between the facts acknowledged at trial and the amount of compensation awarded by *Judex Facti* ([Oswari, 2024](#)). The consistency of the compensation considerations is a significant concern for the Cassation Applicant, identified as (TSC), a foreign party. The Defendant argued that the remaining debt acknowledged (approximately SGD 718,716.60) was significantly smaller than the amount awarded by the Court, which was SGD 2,874,602.44. Furthermore, this significant discrepancy was exacerbated by the omission of evidence of consensus, claims of markup, and bad faith. The disregard for consensus evidence includes an independent appraisal report (PT NDU) agreed to by the parties to mediate the price dispute, which should have served as a more objective and binding basis for quantifying losses.

This disregard for independent evidence undermines the decision's effectiveness in achieving substantive justice. The Defendant accused the plaintiff of acting in bad faith due to the markup and double-billing claims in the invoice. Although *Judex Facti* acknowledged the markup in the consideration, it still granted the plaintiff's claim, which was deemed contradictory. The Applicant's claim was based on a violation of the *Ultra Petitem Partium* principle, which prohibits judges from granting demands that exceed or are not based on what was claimed. Although the Supreme Court rejected this appeal, stating that the assessment of evidence is within the jurisdiction of *Judex Facti*, the inconsistency in the Supreme Court's quantification of the amount of compensation still undermines the principle of legal certainty and the clarity of the basis for calculating losses.

Compensation comprises three distinct elements: costs, losses, and interest. Any expenses or costs awarded constitute the most significant expense to the company. Loss is the loss due to damage to goods, due to the creditor's overdraft, or due to the debtor's overdraft. Conversely, interest is the loss caused by the failure to receive anticipated profits or being hit by the creditor. In addition to compensation, default can hinder the implementation of an agreement. According to Article 1266 of the Civil Code, the cancellation condition is always stated in the contract, so that when the sole power holder fails to reduce the agreement, the deal turns into a battle. The effectiveness of the decision depends not only on the determination of default, but also on the guarantee that material sanctions can be actually executed. The plaintiff is demanding immaterial damages in the form of interest at 12% per year as compensation

for lost profits. Granting this interest demand is a standard mechanism under contract law to compensate for losses due to time, while simultaneously pressuring the debtor to pay immediately.

To address the risk of non-compliance by foreign parties, the Plaintiff also sought additional non-monetary sanctions. The demand for a daily penalty of Rp 1,000,000 (dwangsom) aims to pressure the Defendant to fulfill his payment obligations after the judgment has become enforceable. Dwangsom is a crucial instrument for ensuring the effectiveness of a judgment in civil proceedings. Furthermore, the application for a security seizure of the M/V Cobalt Transport aims to ensure that the judgment is not illusory and to prevent the Defendant from transferring its assets before fulfilling its obligations. This security seizure is crucial in the context of international contracts involving movable assets. Overall, the judgment is procedurally effective in establishing default and securing assets through the security seizure mechanism. However, the judgment's substantive effectiveness still faces several critical challenges.

First, inconsistencies in the quantification of damages indicate that the judgment does not fully reflect the principle of proportionality between the Plaintiff's claims and the Defendant's evidence. This creates legal uncertainty, particularly for foreign parties who must interpret their risks and obligations within the Indonesian legal framework. Second, the complexity of cross-border damages assessments highlights the limited competence of *Judex Facti* in integrating independent evidence agreed upon by the parties, thus creating potential distrust in the objectivity of the decision. Third, although mechanisms such as dwangsom and conservatoire beslag strengthen enforcement guarantees, their implementation remains dependent on coordination between national judicial institutions and international stakeholders, particularly when assets are located in different jurisdictions.

Furthermore, this phenomenon underscores the need for regulatory reform or judicial practice guidelines for international contract disputes to make damages quantification more transparent, consistent, and accountable. The practical implication for global businesses is the need to conduct due diligence and ensure that contractual clauses include precise dispute resolution mechanisms, including international arbitration or foreign law recognition clauses, to mitigate the risk of enforcement uncertainty. Thus, the Supreme Court decision Number 1271 K/Pdt/2009 shows procedural success in upholding breach of contract, but substantively still leaves a gap for legal uncertainty and the potential for further disputes, which emphasizes the importance of synergy between legal certainty and substantive justice in the practice of international contract law in Indonesia.

3 Conclusion

Supreme Court Decision No. 1271 K/Pdt/2009 affirmed that Indonesian national courts have jurisdiction to adjudicate international business contract disputes if the subject matter of the dispute and its legal consequences occur in Indonesia, even if one of the parties is a foreign entity. This decision reaffirmed the principles of *locus actus* and *locus delicti*, while strengthening the legitimacy of national forums in protecting domestic interests. The Supreme Court also confirmed that TSC had defaulted on its service payment obligations, emphasizing the principle of *pacta sunt servanda* and the importance of proving contractual obligations and good faith. Procedurally, this decision was effective, utilizing the conservatoire beslag and dwangsom mechanisms to ensure enforcement. However, there were inconsistencies in the quantification of damages, which could lead to legal uncertainty and further disputes. This case highlights the importance of including choice of law and choice of forum clauses, or resorting to international arbitration, to ensure more transparent, consistent, and accountable dispute resolution, thus balancing legal certainty and substantive justice in cross-border contracts.

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