



Non-Litigatory Dispute Resolution Regarding Medical Device Procurement Contracts by Medical Device Distributors Related to its Implementation that Does Not Conform to the Agreement

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ABSTRACT

This legal research examines the legal consequences and non-litigation dispute resolution for non-conforming medical device procurement contracts between distributors and buyers in Indonesia. Based on contract law, specifically Articles 1320 and 1338 of the Indonesian Civil Code, it applies Dean G. Pruitt's Dispute Resolution Theory and R. Soeroso's Legal Consequence Theory. Using a normative juridical methodology, the study combines statutory, conceptual, analytical, and case approaches. Data from primary, secondary, and tertiary sources were analyzed grammatically, systematically, and analogically. Findings indicate non-conforming contracts create new obligations, alter relationships due to breaches, and trigger legal sanctions. Disputes can be resolved through problem-solving, yielding mutually beneficial solutions, such as replacing goods to meet agreed quality and quantity.

INTRODUCTION

In society, business serves as a crucial factor in supporting livelihoods, including the procurement of medical devices. Such business activities are based on contracts, which are governed by the law of obligations under the Indonesian Civil Code (KUHPer). For a contract to be valid (Article 1320 of the KUHPer), four requirements must be fulfilled: the mutual agreement of the parties, the capacity to enter into an obligation, a specific subject matter, and a lawful cause. Furthermore, according to Article 1338 of the Indonesian Civil Code (KUHPer), a contract must be made in good faith, comply with the law, and be binding on the parties. If a medical device procurement contract is not executed in accordance with the agreement, it constitutes a breach of contract (*wanprestasi*) and may lead to a dispute between the buyer and the distributor.

This study examines the legal phenomenon concerning the agreement between the medical device distributor PT. Subrata Karya Sejahtera and Bunda Margonda Hospital, which was not executed in accordance with the agreed terms, resulting in a breach of contract. This case is reflected in three court decisions: the Kupang District Court, the Kupang High Court, and the Supreme Court (Decision Number: 2607 K/Pdt/2014), in which the judges ruled in favor of the plaintiff because the buyer received goods that did not conform to the order. All of these decisions have attained permanent legal force (*inkracht*).

The researcher reviewed several previous studies as comparisons, including: the thesis by Salamat Togatorop, which concluded that the procurement contracts for medicines and medical devices essentially contain the rights and obligations of the parties according to the contract; the thesis by Muhammad Haekal Algifari, which found indications of non-compliance in medical device procurement contracts during the Covid-19 pandemic; the thesis by Fauzia Nur Jamiana, which showed that medical device procurement agreements often did not involve contract law experts, resulting in breaches of contract; the thesis by Ana Yuliana Sabda, which noted disputes in the procurement contract between RSUD Dr. Rasidin Padang and PT. Mulia Husada Jaya; and the thesis by Muhammad Rezeki Hidayat, which emphasized the importance of legal understanding for the development of ideal procurement contracts for goods and services. The distinction of this study from the previous research lies in its comprehensive focus on the role of medical device distributors and the resolution of non-litigation disputes.

Based on the background of the problem, the research questions are: first, what are the legal consequences of a medical device procurement contract by the distributor when its implementation does not comply with the agreement; and second, how can non-litigation dispute resolution be carried out for a medical device procurement contract by the distributor related to non-compliance with the contract's implementation.

LITERATURE REVIEW

The Dispute Resolution

The Dispute Resolution Theory according to Dean G. Pruitt emphasizes several main approaches in handling conflicts. First, the contending approach, where each party attempts to implement a solution that is more favorable to

themselves than to the other party. Second, the yielding approach, in which each party is willing to sacrifice their interests to reach an agreement. Third, the problem-solving approach, where parties seek creative solutions that benefit both sides, resulting in a win-win solution. Additionally, there is the withdrawing approach, which involves leaving the conflict situation either physically or psychologically, and the inaction approach, where a party chooses not to take any action regarding the conflict.

The Legal Consequences Theory

The Legal Consequences Theory according to Soeroso explains that legal consequences are the outcomes of legal actions taken by someone to achieve a desired result, as regulated by law. These legal actions produce legal consequences in three forms. First, the creation, modification, or termination of a legal condition. Second, the creation, modification, or termination of a legal relationship between two or more legal subjects, where the rights and obligations of one party correspond to the rights and obligations of the other party. Third, the imposition of sanctions if unlawful actions are committed.

METHODOLOGY

This study employs a normative juridical approach, analyzing primary, secondary, and tertiary legal materials, supported by interviews to obtain relevant data. The research applies statute, case, analytical, and conceptual approaches to gain a comprehensive understanding of the legal issues. The research population includes laws and regulations, court decisions, and medical device procurement contracts, while the sample is selected purposively based on relevance to the research topic. Data collection is conducted through identification, inventorying, and classification of legal materials, which are then analyzed using legal interpretation techniques (grammatical and systematic) and legal construction methods (analogy and refinement) to draw conclusions and provide recommendations.

RESEARCH AND DISCUSSION

Analysis of the Legal Consequences of Medical Equipment Procurement Contracts by Distributors Related to Non-Compliance with Contractual Implementation

In this study, the researcher uses R. Soeroso's Legal Consequences Theory as an analytical framework to understand the legal consequences of medical device procurement contracts by distributors when their implementation does not comply with the agreement. According to Soeroso, legal consequences are the outcomes of legal actions taken to achieve a desired result and are regulated by law. These consequences can take the form of the creation, modification, or termination of a legal condition; the creation, modification, or termination of a legal relationship between two or more parties with corresponding rights and obligations; and the imposition of sanctions if unlawful actions are committed.

Legal consequences arise from legal acts or events, whether voluntarily performed by legal subjects (legal acts) or occurring due to uncontrollable events (legal events). They are the outcomes intended by the actor and

regulated by law, meaning that any act or event that complies with legal provisions produces recognized and legally certain consequences. Legal consequences can emerge from legal acts, such as forming contracts, or from legal events, like birth, death, or natural disasters, which nonetheless generate rights and obligations under the law.

These consequences manifest in three main forms. First, the creation, modification, or termination of a legal status, which changes a person's or entity's legal position. For example, a medical device distributor obtaining a business license establishes a new legal status as an authorized distributor, and converting a business from a CV to a PT changes its legal form. Second, the creation, modification, or termination of a legal relationship occurs between two or more parties, where rights and obligations are mutual. For instance, when a distributor and hospital sign a procurement contract, a reciprocal legal relationship is formed, which can change if defective goods are returned or end once obligations are fulfilled. Third, sanctions arise if unlawful actions occur, such as breach of contract, misuse of goods, or violations of regulations, resulting in civil or administrative liability.

In practice, legal consequences are dynamic. A contract initially creates rights and obligations between parties, and if a breach occurs, legal consequences such as sanctions or claims arise. However, if corrective actions are taken, such as the distributor replacing defective goods, the legal relationship is restored, demonstrating good faith and preventing further disputes. This highlights the restorative function of law, showing that legal consequences are not only punitive but also corrective, maintaining the balance of rights and obligations.

Contract validity under the Civil Code requires four elements: agreement, legal capacity, a definite object, and a lawful cause. Failure to meet subjective requirements (agreement or capacity) results in a contract that is voidable, requiring court intervention to annul it. In contrast, failure to meet objective requirements (definite object or lawful cause) renders a contract null and void automatically, with no legal effect from the outset. Jurisprudence, such as Supreme Court decisions No. 1793 K/Pdt/1999 and No. 193 PK/Pdt/1995, illustrates cases where contracts were invalid due to unlawful interest rates or uncertain objects, emphasizing the importance of lawful cause (*kausa yang halal*) and compliance with public order and morality.

Understanding legal consequences, their forms, and the conditions for contract validity provides a framework for both preventing disputes and resolving them, especially in non-litigation contexts. In procurement cases, such as between hospitals and distributors, the theory of legal consequences explains the entire cycle of legal relationships from formation, through breach, to restoration and underscores the importance of good faith, diligence, and compliance with legal standards to ensure fairness, balance, and certainty in contractual relations.

In Indonesian civil law, while the essential requirements of a valid agreement remain the primary basis for determining its legality, developments in judicial practice and sectoral laws, such as the Basic Agrarian Law (UUPA)

and the Marriage Law, have expanded the interpretation of these requirements. Consequently, contract theory is no longer understood rigidly but must be considered in the context of evolving social norms and legal values. Therefore, when forming agreements, parties are obliged to ensure that the substance of their consent is based on good faith, transparency, and compliance with applicable legal norms across various fields, including family law, land law, and prevailing jurisprudence. A comprehensive understanding of the validity requirements, along with their application in statutory laws and judicial practice, allows for a more informed assessment of any contractual engagement. Aligning theory with practice provides a foundation for agreements that are not only legally valid but also equitable and socially accountable.

In this study, the researcher applies Dean G. Pruitt's Dispute Resolution Theory as an analytical framework to examine non-litigation settlement efforts. The theory emphasizes several main approaches: contending, where each party seeks a solution favoring their own interest; yielding, in which parties sacrifice their interests to reach an agreement; problem-solving, where both parties collaboratively find creative solutions that benefit everyone (a win-win outcome); withdrawing, which involves physically or psychologically removing oneself from the conflict; and inaction, where parties choose not to take any action.

In the implementation of a medical equipment procurement contract, disputes often arise when the actual delivery does not match the contract specifications. In the case described, the distributor delivered equipment that did not meet the agreed-upon standards, creating a conflict between the distributor as the supplier and the hospital as the buyer. To address such conflicts effectively, Dean G. Pruitt's theory of dispute resolution offers four main approaches: Contending, Yielding, Problem Solving, and Withdrawing, each reflecting different negotiation strategies and attitudes with distinct consequences for legal and business relationships.

Contending occurs when one party attempts to impose its will on the other. In the distributor-hospital case, this could happen if the hospital demanded replacement or compensation rigidly without negotiation, or if the distributor insisted that the delivery error was not its responsibility. Contending often leads to rigid relationships and prolonged disputes, potentially escalating to litigation. However, in this case, neither party fully adopted a contending stance, avoiding litigation and maintaining the potential for resolution.

Yielding involves voluntarily sacrificing some interests to reach an agreement or prevent greater conflict. The distributor demonstrated yielding by acknowledging the mistake and proactively offering replacements in accordance with contract specifications, absorbing costs and logistical burdens to preserve the business relationship. Likewise, the hospital did not escalate the dispute legally, reflecting mutual restraint. Yielding, when done in good faith, supports sustainable conflict resolution.

Problem Solving, or the win-win approach, seeks creative solutions that benefit both parties. Both the distributor and the hospital adopted this approach

by addressing the issue collaboratively rather than confrontationally. The distributor replaced the equipment promptly, preserving its reputation and contract continuity, while the hospital accepted the solution without demanding additional compensation or legal action. This approach highlights that conflicts do not always require one party to "win"; cooperative solutions can satisfy both parties' interests.

Withdrawing, which involves avoiding or disengaging from the conflict either physically or psychologically, did not occur in this case. Both parties actively participated in resolving the dispute and did not attempt to evade responsibility. Had withdrawing occurred for example, if the distributor refused communication or the hospital unilaterally terminated the contract the conflict could have worsened, and the legal relationship could have been severed. By remaining engaged, both parties successfully avoided the withdrawing approach, ensuring the dispute was resolved constructively.

Analysis of Non-Litigation Dispute Resolution in Medical Equipment Procurement Contracts by Distributors Related to Implementation Non-Compliance

In this study, the researcher employs Dean G. Pruitt's Conflict Resolution Theory as an analytical framework to examine non-litigation dispute resolution in medical equipment procurement contracts by distributors when contract implementation does not conform to the agreed terms. Pruitt's theory emphasizes several key approaches, including contending, where parties attempt to impose solutions favorable to themselves; yielding, in which a party sacrifices certain interests to reach an agreement; problem solving, where parties collaboratively seek creative solutions that benefit both sides in a win-win outcome; withdrawing, which involves stepping away from the conflict either physically or psychologically; and inaction, where parties choose not to take any action. These approaches provide a structured understanding of how disputes can be managed constructively without resorting to litigation.

The word "dispute" is a noun with three meanings: Something that causes a difference of opinion, quarrel, dispute, contention, dispute and case (in court). Dispute resolution is an essential mechanism in the fields of law and business to address conflicts between two parties with differing interests. In practice, disputes are not always resolved through litigation in court but may instead be settled through non-litigation approaches such as mediation, negotiation, or other forms of alternative dispute resolution (ADR). One of the key contributors to the understanding of dispute resolution strategies has developed a theoretical framework that remains highly relevant in this context.

The theory of dispute resolution approaches consists of five models: contending, yielding, problem solving, withdrawing, and inaction. These approaches reflect the strategies parties adopt in a conflict to achieve resolution. This theory is particularly relevant for analyzing contractual relations between a distributor and a hospital in the procurement of medical equipment. In certain cases, contractual breaches may occur when a distributor fails to deliver goods in accordance with the agreed specifications, giving rise to a dispute between the parties.

Rather than pursuing litigation, the parties may opt for a non-litigation resolution, such as the distributor replacing the goods with those that meet contractual terms. This non-litigation approach demonstrates a willingness to resolve disputes peacefully and efficiently, and it can be further analyzed through the lens of dispute resolution theory.

The first approach, contending, refers to a strategy in which each party attempts to impose a solution that favors its own interests. In the context of the distributor-hospital case, this could manifest when the hospital insists that the distributor immediately fulfill its obligations under the original contract, while the distributor seeks to defend its position, perhaps by invoking logistical constraints or administrative errors. Both parties, in such circumstances, tend to pressure one another and maintain rigid positions, thereby heightening the risk of escalation. If prolonged without compromise, the dispute is likely to intensify and may ultimately lead to litigation, which is both time-consuming and costly.

However, in the case under study, the parties did not persist indefinitely in a contending posture. Instead, the distributor shifted toward the yielding approach. Under this strategy, the disputing party in this instance, the distributor willingly sacrifices part of its interests in order to preserve the business relationship and avoid greater losses.

In certain cases, the distributor may accept the hospital's demand to replace all non-conforming equipment without requesting additional time or compensation. Such action reflects a yielding approach, demonstrating willingness to concede for the sake of dispute resolution. Although this may entail economic loss, the distributor prioritizes maintaining long-term business relations and preserving corporate reputation over prevailing in a short-term conflict.

More constructively, the problem-solving strategy is considered the most effective approach in dispute resolution. This method emphasizes the search for mutually beneficial solutions, aiming at a win-win outcome. In practice, the distributor and the hospital may engage in deliberation to evaluate the underlying issues, including technical or administrative constraints that caused non-compliance, and jointly identify alternative solutions. For instance, the distributor may replace the goods in line with the contract while offering additional technical services or future discounts, while the hospital may provide extra time or refrain from imposing strict penalties. This approach not only resolves the dispute but also strengthens mutual trust and fosters long-term cooperation.

By contrast, the withdrawing strategy, although recognized in Pruitt's framework, is less favorable in strategic business relations. This approach entails one party withdrawing from the conflict such as unilaterally terminating the contract without resolving the underlying problem. While it may avoid open confrontation, it often leaves dissatisfaction, financial losses, and the risk of subsequent litigation. Consequently, this strategy is rarely recommended unless the continuation of the business relationship is no longer feasible.

The inaction approach represents a passive strategy, where a party chooses not to actively engage in resolving a dispute, often waiting or ignoring

the conflict in the hope that it will subside on its own. In the context of a dispute between a distributor and a hospital, such passivity could exacerbate the situation. For instance, if the distributor fails to respond to the hospital's complaints, the hospital may treat it as a serious breach of contract (*wanprestasi berat*) and pursue litigation. For this reason, inaction is highly discouraged, particularly in business relationships that rely on trust and prompt decision-making.

In practice, dispute resolution often involves a dynamic combination of different approaches. A party may begin with contending and then shift to yielding or problem solving after realizing that confrontation yields no results. In the case of the medical equipment distributor, the process evolved from contending to problem solving. Initially, the hospital insisted on strict compliance with the contract, while the distributor defended its position. However, when both recognized that prolonged conflict could damage their business relationship and reputation, they shifted to problem solving. The outcome was a mutually beneficial non-litigation agreement: the distributor replaced the goods in accordance with the contract, and the hospital refrained from pursuing litigation. This case demonstrates that understanding dispute resolution theory is highly useful in business law practice. Among the approaches, problem solving proves to be the most prudent, as it emphasizes deliberation and mutually advantageous outcomes, while non-litigation resolution provides a faster, more efficient solution that avoids broader legal complications.

The hospital's responsibility toward its employees and medical personnel is based on the theory of legal liability, which includes criminal, civil, and administrative liability. In the context of Indonesian law, the legal foundations governing the responsibilities of hospitals and healthcare workers include Law No. 17 of 2023 on Health, Law No. 44 of 2009 on Hospitals, and Law No. 36 of 2014 on Health Workers. Thus, the dispute between the distributor and the hospital also involves moral aspects and corporate social responsibility. By choosing to replace the goods rather than bringing the matter to court, the distributor demonstrates a commitment to integrity and adherence to the principles of the agreement. In the long term, this will strengthen market trust in the company and serve as a highly valuable reputational asset. The hospital also benefits by avoiding the time and costs of litigation while still obtaining the equipment necessary for healthcare services.

Dean G. Pruitt's conflict resolution theory provides a precise framework for understanding dispute resolution strategies. The approaches contending, yielding, problem solving, withdrawing, and inaction each reflect different methods of resolving conflicts with distinct outcomes for the parties involved. In practice, the problem-solving approach has proven most effective in achieving optimal results for all parties. The case between the medical equipment distributor and the hospital demonstrates that with proper understanding and application of conflict resolution strategies, disputes can be resolved peacefully, quickly, and efficiently without resorting to lengthy and costly litigation.

In Indonesia, non-litigation dispute resolution is also accommodated through mediation and negotiation, as regulated under Supreme Court Regulation No. 1 of 2016 on Mediation Procedures in Court. Although formally applicable in a litigation context, the principles of mediation can also be applied informally before a case reaches court. Mediation emphasizes voluntary resolution with the assistance of a neutral third party, while negotiation involves direct resolution between the parties. Both reflect the same spirit as the problem-solving approach in Pruitt's theory.

In everyday life, social interactions often give rise to differences of opinion, conflicts of interest, or disputes between parties. Disputes can occur in various domains, such as family, business, trade, employment, or matters of land and inheritance. To address disputes, society generally relies on two main approaches: litigation (through courts) and non-litigation (outside courts). Each approach has distinct characteristics, advantages, and limitations, depending on the type of dispute and the needs of the parties involved.

Litigation-Based Dispute Resolution. Litigation refers to the process of resolving disputes through the court system, in which the dispute is adjudicated according to formal legal procedures. In this process, the authority to manage and decide the case rests with the judge. If the disputing parties cannot resolve the matter amicably, one party may file a lawsuit in the competent court. The court will examine, adjudicate, and decide the case according to applicable Indonesian law. This formal process is binding, as the judge's decision carries permanent legal force and can be enforced.

Litigation begins when the plaintiff files a lawsuit, detailing the case, legal arguments, and requested relief. The court then summons the defendant to attend hearings, where both parties present their arguments, evidence, and witnesses. The process may include mediation, examination, and judgment. If dissatisfied, parties can pursue appeals, cassation, or judicial review. Litigation is often complex, time-consuming, costly, and public, potentially harming reputations especially in business disputes prompting many to consider more efficient non-litigation alternatives.

Non-litigation dispute resolution refers to resolving conflicts outside of court. In this approach, the disputing parties aim to settle their issues amicably without filing a lawsuit. Methods include deliberation, negotiation, mediation, conciliation, and arbitration. The primary goal is to reach mutually beneficial agreements, maintain good relationships, and avoid lengthy and costly legal processes. Advantages of non-litigation resolution include faster, cheaper, and more flexible procedures, allowing parties to tailor the dispute resolution process to their specific needs and interests.

Musyawarah is the simplest form of non-litigation dispute resolution, where parties openly discuss issues to find a compromise. It reflects Indonesian values of family and cooperation. If musyawarah fails, parties may proceed to other methods like negotiation, arbitration, or mediation, often included in business contracts as a preferred alternative to court.

Negotiation is a more formal form of discussion in which each party presents its positions and interests while seeking common ground. Parties may

be represented by legal counsel or professional negotiators. The advantages of negotiation include flexibility, confidentiality, and the ability to formalize agreements in legally binding written contracts.

Mediation is a dispute resolution method assisted by a neutral third party called a mediator. The mediator does not make decisions but helps parties communicate, understand each other's perspectives, and reach mutually agreed solutions. Mediation is highly effective because it is voluntary, confidential, and helps maintain good relationships. In Indonesia, mediation is regulated under the Supreme Court Regulation (PERMA) No. 1 of 2016, requiring all civil cases submitted to court to undergo mediation first.

Conciliation is another third-party assisted process, but here the conciliator plays a more active role than a mediator, offering advice or recommendations to resolve disputes. This method is often used in labor and industrial disputes. In arbitration, the third party, known as the arbitrator, has the authority to issue a binding decision, similar to a court judge. Arbitration is typically applied in large-scale business disputes, such as those between companies or contractors.

Comparison Between Litigation and Non-Litigation: The main differences lie in procedure, decision-making, and formality. Litigation is formal, public, and results in legally binding court judgments enforceable by law. Non-litigation methods are informal, flexible, and usually result in voluntary agreements based on good faith. Non-litigation is generally faster and less costly than litigation.

However, not all disputes are suitable for non-litigation. Cases involving criminal violations, power imbalances, or parties unwilling to negotiate in good faith may require court intervention. Conversely, minor civil disputes, such as contract breaches or neighbor conflicts, are often better resolved through non-litigation methods. It is also important to note that non-litigation does not eliminate the possibility of litigation. If peaceful resolution fails, parties may still take the matter to court. In practice, many disputes start with non-litigation attempts and proceed to litigation only if necessary. For example, in a contract dispute between a seller and a buyer over goods that do not meet the order specifications, parties with good communication can resolve the issue through negotiation or mediation. The seller may offer replacement goods or a discount, and the buyer may accept without going to court. If the seller refuses to take responsibility, the buyer may then pursue legal action.

In this study, the researcher uses R. Soeroso's Legal Consequences Theory as an analytical framework to examine the legal consequences of medical equipment procurement contracts by distributors when their implementation does not comply with the agreement. According to R. Soeroso, a legal consequence is the outcome of an action intended by the actor and regulated by law; in other words, it is the result of a legal act. These legal consequences manifest in three forms: the emergence, alteration, or disappearance of a legal status; the creation, modification, or termination of legal relationships between two or more legal subjects, where each party's

rights and obligations interact; and the imposition of sanctions when unlawful actions are committed.

R. Soeroso explains that legal consequences are the outcomes of legal acts, whether performed voluntarily by legal subjects (legal acts) or arising from events beyond human control (legal events). A legal consequence is the result intended by the actor and regulated by law. In other words, any action or event that complies with legal provisions produces effects recognized and guaranteed by law. These consequences can arise from deliberate legal acts, such as entering into a contract, or from legal events, such as birth, death, or natural disasters, which nonetheless create rights and obligations under the law.

R. Soeroso categorizes legal consequences into three main forms, starting with the creation, alteration, or termination of a legal status. This reflects changes in the legal position of a person or an entity as directly determined by law. For example, a registered medical equipment distributor obtaining a Trade Business License (SIUP) and Business Identification Number (NIB) acquires a new legal status as an official distributor. If the distributor transforms the business into a PT or CV, the legal status changes from a sole proprietorship to a legal entity, and if the license is revoked or the business dissolved, the legal status ceases. Similarly, legal consequences affect legal relationships, which involve rights and obligations between two or more parties. For instance, a distributor and a hospital entering into a procurement contract worth IDR 1 billion establishes a legal relationship where the distributor must deliver goods per specifications and the buyer must pay in full. If defective goods are returned and replaced, the relationship evolves into a sale with warranty and return obligations. Once the contract is fulfilled and payment completed, the legal relationship terminates.

When one party breaches a contract or commits an unlawful act, legal consequences arise, such as compensation, contract cancellation, or legal claims. For instance, if a distributor fails to deliver medical equipment on time or according to specifications, the hospital can claim damages. Conversely, if the buyer misuses the goods or fails to pay, the distributor can pursue civil or criminal action. Violating regulations, like selling unapproved products, may also result in administrative or criminal sanctions.

R. Soeroso explains that legal consequences occur from actions intended by a legal subject or events regulated by law, producing outcomes such as the creation, change, or termination of legal status, the formation, modification, or ending of legal relationships, and sanctions for unlawful acts. For example, in a hospital's procurement contract with a distributor, the agreement creates mutual obligations: the distributor must deliver equipment as specified, and the hospital must pay. If the distributor delivers incorrect equipment, it harms the hospital and triggers a legal dispute, illustrating the practical application of Soeroso's theory.

According to civil law, particularly Article 1243 of the Indonesian Civil Code, a breach of contract (*wanprestasi*) occurs when one party fails to fulfill its contractual obligations. In this case, the distributor committed a breach by not delivering the goods according to the contract, violating the agreed terms.

Under the legal consequences theory, this breach gives the hospital the right to claim compensation or request replacement of the goods as stipulated in the contract.

However, if the distributor can prove that the noncompliance resulted from force majeure – such as supplier errors or unforeseen logistical disruptions the breach may be excused. Proof of force majeure must demonstrate that the event was truly beyond the party's control and unforeseeable; if this fails, the distributor remains liable under Article 1243.

The procurement contract created two legal consequences simultaneously: the establishment of a legal status for both parties as distributor and buyer, and the formation of a legal relationship based on the contract. When the distributor failed to meet contractual obligations, a third consequence arose in the form of legal sanctions for the breach. Nevertheless, the distributor actively remedied the situation by replacing the medical equipment according to contract specifications. This demonstrates good faith and voluntary fulfillment of obligations after the initial breach. In terms of legal consequences theory, such actions restore the legal relationship, reestablishing the balance of rights and obligations between the parties.

The distributor's corrective action demonstrates that although the legal relationship was disrupted by a breach of contract, it does not automatically cease to exist as long as one party is willing to take remedial measures. By replacing the noncompliant medical equipment, the distributor not only avoided legal claims but also preserved the continuity of the contractual relationship with the hospital. This illustrates how the theory of legal consequences not only explains the creation and termination of rights and obligations but also captures the dynamic and flexible nature of legal relationships.

Legally, the distributor's replacement of the goods is significant because legal consequences arise not only from lawful acts but also from unlawful acts such as breaches of contract. By providing replacement goods, the distributor fulfills a legal responsibility to mitigate potential sanctions, demonstrating that sanctions can be prevented or reduced when the offending party shows good faith in correcting the violation.

The distributor's actions exemplify the principle of "restoration" in civil law, which aims to return the situation, rights, or conditions to their original state or as close as possible to the contractual agreement. Restoration may involve returning seized property, repairing damage, compensating losses, or restoring legal status. In modern criminal law, this principle aligns with restorative justice, emphasizing the repair of relationships between the offender, the victim, and society through dialogue, mediation, and agreement rather than punishment alone. In civil law, the party committing a breach or unlawful act is obliged to restore the situation or provide equivalent compensation.

In this case, when the distributor failed to deliver goods according to the contract, they sought to restore the situation by replacing the items with ones meeting the contractual specifications. This action aimed to return conditions to

their original state, or at least approximate it, thereby repairing the disruption caused by the initial breach and fulfilling the principle of restoration.

This action eliminates the possibility of further legal claims by the buyer, reflecting the legal actor's intent to maintain the validity of the legal relationship despite the temporary disruption caused by the breach. The theory of legal consequences highlights the active role of parties in determining whether a legal relationship continues or terminates. If the hospital had refused the replacement goods, the legal relationship could have been considered terminated, with the next legal consequence being a lawsuit for damages. However, by accepting the replacement, the legal relationship continues, and the consequence is corrective rather than terminating.

This situation emphasizes the importance of good faith in the execution of legal relationships. Legal consequences are not merely formal obligations but also encompass moral and professional responsibilities in contract performance. The distributor's willingness to replace the goods demonstrates that legal consequences can be dynamic: initially, the contract creates legal obligations; noncompliance triggers potential sanctions or termination; but corrective action restores the relationship, exemplifying R. Soeroso's concept of the alteration or rebirth of legal relationships.

From a contractual perspective, the legal positions of the distributor and the hospital shift dynamically. Initially balanced, the breach disrupts equality, but replacement restores legal equilibrium. This sequence shows that legal consequences directly reflect the interaction of rights and obligations in a contract. The theory of legal consequences also serves as a tool for non-litigation dispute resolution: rather than proceeding to court, the distributor's corrective action constitutes a peaceful resolution that respects the proportionality of rights and duties, promoting efficiency and preserving business relationships.

Moreover, the theory functions preventively by reminding parties to exercise diligence in contract execution. The distributor's case illustrates the necessity of ensuring delivered goods meet contractual specifications, as failure to comply triggers legal consequences, including potential claims or sanctions. Each contract generates a legal relationship with inherent consequences. According to the Indonesian Civil Code (KUHPer), a valid agreement must satisfy four conditions: mutual consent of the parties, capacity to enter into obligations, a definite object, and a lawful cause. These elements are categorized as subjective conditions (consent and capacity) and objective conditions (definite object and lawful cause), ensuring that agreements are legally binding and enforceable.

The first requirement of a valid contract is mutual consent, which arises when the parties freely agree to bind themselves without coercion, mistake, or fraud. Consent must reflect the free will of the parties; otherwise, it is legally defective and may be annulled. This principle relates to the freedom of contract, meaning parties may create agreements as long as they do not violate law, public order, or morality.

The second requirement is legal capacity. Only individuals deemed competent by law, such as adults of sound mind, may validly enter contracts.

Minors, persons under guardianship, or those with mental incapacity cannot contract independently and require representation.

The third requirement is the presence of a specific object. The subject matter must be clear, identifiable, and possible to perform. For example, in sales agreements, the goods must be defined by type, quantity, and quality. An unclear or impossible object renders the contract void. This is particularly crucial in land agreements under the Basic Agrarian Law (UUPA), where details of location, size, and ownership status must be explicit.

The fourth requirement is a lawful cause. The purpose of the agreement must not contravene law, public order, or morality. Contracts for illegal activities, such as drug trafficking, are void. Similarly, land transactions transferring ownership to foreign nationals are invalid under UUPA, as only Indonesian citizens may hold land rights.

If a subjective requirement (consent or capacity) is not fulfilled, the contract is voidable and may be annulled upon request. However, if an objective requirement (object or lawful cause) is missing, the contract is void ab initio, meaning it is deemed never to have existed and has no legal effect.

In practice, courts often interpret the validity requirements of contracts through jurisprudence. For instance, a land sale agreement made by a minor was declared void for lack of legal capacity (Supreme Court Decision No. 2686 K/Pdt/2001), while a lease agreement with an unclear object was held invalid for failing the requirement of a specific object (Supreme Court Decision No. 380 K/Sip/1971). Similarly, under the Marriage Law, contracts involving joint marital property without the spouse's consent may be annulled. Other rulings emphasize that unclear land objects or contracts with excessive interest rates violate the requirements of a specific object and lawful cause, rendering them null and void. In the field of agrarian law, the Basic Agrarian Law (UUPA) upholds principles of nationality and social function, so agreements violating these principles such as transferring land ownership to foreign nationals are deemed invalid.

The development of judicial practice and sectoral legislation demonstrates that the requirements for valid contracts are not applied rigidly but must be aligned with justice, social values, and evolving legal contexts. The theory of legal consequences in contractual disputes is not merely normative but also practical, covering the creation of legal relations, breach of obligations, and restoration through dispute resolution mechanisms. Thus, civil law is not only repressive in penalizing violations but also restorative, fostering fair solutions, preserving social relations, and strengthening trust between parties.

CONCLUSIONS AND RECOMMENDATIONS

The legal consequences of a medical equipment procurement contract, when the distributor fails to execute it according to the agreement, involve the creation of a new legal status due to the contractual obligation, the change in the legal relationship between the distributor and the buyer during a breach, and the emergence of sanctions against the breaching party. The party responsible for the breach must take corrective actions to remove these

sanctions, restoring the balance of rights and obligations between the parties and maintaining the continuity of their legal relationship.

Non-litigation dispute resolution for such contracts can be effectively pursued through a problem-solving approach, which emphasizes a mutually beneficial (win-win) solution. In this method, both distributor and buyer engage in amicable negotiations to reach an agreement, such as replacing non-compliant goods, providing compensation, or rescheduling delivery. This approach ensures that conflicts are resolved efficiently, cost-effectively, and with minimal disruption to the contractual relationship, highlighting the importance of proactive communication and good faith in contract execution.

ADVANCED RESEARCH

This study has limitations, focusing mainly on legal consequences and non-litigation dispute resolution in medical equipment procurement contracts. Future research could explore other industries, include empirical data, or evaluate long-term impacts of restorative practices and alternative dispute resolution in contract law.

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