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Disparity in Court Decisions Regarding the Position of Company Articles of Association and Director's Signature in Cooperation Agreements

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ABSTRACT: Cooperation agreements involve not only commercial aspects but also complex legal aspects. The validity and legal force of a cooperation agreement depend on several factors, one of which is compliance with the company's articles of association and the authority of the director signing the agreement. This study aims to analyze the causes of disparities in court decisions regarding the position of the articles of association and the director's signature in cooperation agreements, and the legal certainty concerning such matters in light of existing disparities. The research uses a normative juridical method by analyzing legal issues based on legislation, legal doctrines, and court decisions related to the disparity in rulings on the articles of association and director's signature in cooperation agreements. The results show that the disparity in court decisions is caused by differences in legal interpretation, the absence of binding jurisprudence, and a lack of clear guidelines. This creates legal uncertainty that affects business stability. Legal certainty regarding the position of the articles of association and director's signature in cooperation agreements amidst such disparities can be addressed using the doctrine of *piercing the corporate veil*. The application of this doctrine in the context of judicial disparity may provide a solution to the resulting legal uncertainty. By disregarding the corporate legal personality, courts can evaluate the motives and actions of directors to ensure that violations of the articles of association do not harm goodfaith third parties. Moreover, applying this doctrine can reinforce the legal standing of the articles of association as a fundamental guide in corporate governance**.**

KEYWORDS: Disparity, Court Decisions, Company Articles of Association

INTRODUCTION

The articles of association are a fundamental legal document for a company's operations. This document governs corporate governance, including the authority of the board of directors, the board of commissioners, and the mechanism for making important decisions. Its position as an internal legal document not only binds the company's organs but also has external legal implications for the company's relationships with contracting parties.[1]

In practice, violations of the articles of association often become the subject of disputes in court, especially when involving cooperation agreements with related parties. The courts are faced with two main issues: (1) whether a violation of the articles of association causes an agreement to be null and void by law, and (2) to what extent related parties acting in good faith can be legally protected despite such a violation. In the corporate world, cooperation agreements are an important aspect that affects business relationships between companies. These cooperation agreements involve not only commercial aspects but also complex legal aspects. The validity and legal force of a cooperation agreement depend on many factors, one of which is compliance with the provisions of the company's articles of association and the authority of the directors who sign the agreement.

The articles of association are an internal legal document containing basic provisions regarding the structure, purpose, rights, obligations, and responsibilities of the company and its management, including the board of directors. The articles of association provide guidance on the authority held by the board of directors, the board of commissioners, and shareholders in making decisions that bind the company. Therefore, the articles of association are the primary guideline that must be followed in corporate decisionmaking, including in the creation of cooperation agreements. In this context, the position of the articles of association is very important because it acts as a "constitution" for the company that must be respected by its management.

The articles of association are a company's constitutional document, outlining fundamental rules for corporate governance, the authority of corporate organs, and the legal relationship between the company and contracting parties. As an internal legal guideline, the articles of association not only form the basis for the exercise of authority by corporate organs but also influence the validity of legal actions taken by the board of directors, including in cooperation agreements.[2] The company's articles of association serve as a

[1] Harahap, M. Yahya. *Hukum Perseroan Terbatas*. Jakarta: Sinar Grafika, 2018, hlm. 45-50:

[2] Satrio, J. *Hukum Perikatan*. Bandung: Citra Aditya Bakti, 2016, hlm. 90-95:
constitutional document that regulates the organizational structure, the authority of corporate organs, and the relationships among the parties within it. The standing of the articles of association is not only internally binding on the company but also determines the validity of legal actions undertaken by the board of directors, including when signing cooperation agreements. As the company's managing body, the board of directors has the authority to act on behalf of the company, but this authority must align with the provisions of the articles of association and relevant laws and regulations.

In practice, the board of directors often acts on behalf of the company in cooperation agreements. However, the directors' authority to sign such agreements is not absolute; instead, it is limited by the provisions of the company's articles of association. For example, Articles 92 and 98 of Law Number 40 of 2007 concerning Limited Liability Companies (UUPT) stipulate that for certain strategically valuable actions, such as large transactions, the directors require approval from the board of commissioners or the General Meeting of Shareholders (GMS)**.** These provisions aim to protect the interests of the company, shareholders, and relevant parties involved in the agreement.

However, the implementation of these provisions in business practice frequently becomes the subject of legal disputes, especially when violations of the articles of association occur. Judges in various cases demonstrate differing views on the extent to which such violations affect the validity of a cooperation agreement**.** This phenomenon creates a disparity in court rulings**,** leading to legal uncertainty**.** For instance, in Supreme Court Decision Number 67 PK/Pdt/2024[1], the court stated that an agreement remained valid despite violating the articles of association, provided that the related party acted in good faith**.** Conversely, in Supreme Court Decision Number 601 K/Pdt/2016[2], the judge affirmed that a violation of the articles of association renders the agreement null and void by law, irrespective of the related party's good faith.[3] This inconsistency not only creates legal uncertainty for companies but also increases risk for parties dealing with them. In some cases, courts accept cooperation agreements that don't comply with the articles of association as valid, while in others, they reject the validity of agreements deemed inconsistent. This disparity in rulings gives rise to legal uncertainty and poses significant risks for companies and their related parties, particularly concerning the protection of good faith in contractual agreements.

A relevant case to examine this phenomenon is Supreme Court Decision Number 67 PK/Pdt/2024, which involves PT Deyon Resources as the plaintiff for judicial review and PT Centrepark Citra Corpora as the defendant for judicial review. This case raises legal issues concerning the position of the articles of association in determining the directors' authority to bind the company in a cooperation agreement, and the validity of a director's signature on a cooperation agreement if that director lacks sufficient authorization according to the company's articles of association.

In that ruling, the Supreme Court provided legal considerations that differed from the decisions of the first instance and appellate courts. The Supreme Court considered the articles of association as the primary reference in determining the directors' authority to bind the company in a cooperation agreement. This disparity in the ruling reveals an inconsistency in law enforcement regarding the validity of agreements involving directors as signatories, thereby leading to legal uncertainty that can harm contracting parties.

This disparity reveals differing interpretations among judges regarding the status of the articles of association and the directors' signatures in cooperation agreements. Some judges prioritize adherence to the articles of association, while others focus more on protecting related parties acting in good faith. This inconsistency underscores the need for in-depth analysis into the causes of these differing rulings and their implications for legal certainty in the business world.

The objective of this research is to analyze the causes of disparity in court rulings concerning the position of the articles of association and directors' signatures in cooperation agreements. Furthermore, it aims to assess the legal certainty surrounding the position of the articles of association and directors' signatures in cooperation agreements, specifically in light of these differing court decisions.

RESEARCH METHODS

This Research Employs A Normative Juridical Research Method. This Method Aims To Analyze Legal Issues Based On Laws And Regulations**,** Legal Doctrines**,** And Court Decisions Related To The Disparity In Rulings Concerning The Articles Of Association And Directors' Signatures In Cooperation Agreements.[4] Normative Juridical Research Is Suitable Because The Study Focuses On The Normative Aspects Of Law, Including An Analysis Of Rules Within Law Number 40 Of 2007 On Limited Liability Companies

[1] Mahkamah Agung Republik Indonesia, Putusan Nomor 67/PK/PDT/2024, Direktori Putusan Mahkamah Agung, https://putusan3.mahkamahagung.go.id.

[2] Mahkamah Agung Republik Indonesia, Putusan Nomor 601/K/PDT/2016, Direktori Putusan Mahkamah Agung, https://putusan3.mahkamahagung.go.id.

[3] Black's Law Dictionary, Garner, Bryan A. (Ed.). 10th Edition, 2014, hlm. 800:

[4] Soerjono Soekanto & Sri Mamudji. (2015). *Penelitian Hukum Normatif: Suatu Tinjauan Singkat*. Jakarta: Rajawali Press.

(Uupt), The Civil Code (Kuh Perdata), And The Relevance Of Legal Doctrines And Principles To The Issues Under Investigation.[5]

RESULT AND DISCUSSION

1. *Disparity in Court Rulings Regarding the Articles of Association and Directors' Signatures in Cooperation Agreements*

The disparity in court rulings concerning the validity of actions taken by directors that contradict the articles of association in cooperation agreements reveals a fundamental difference in judicial interpretation and approach to legal norms and factual contexts. One relevant legal approach to analyze these differences is the doctrine of piercing the corporate veil**,** which allows courts to set aside the legal personality of a corporation to directly assess the personal liability of directors, particularly in cases of abuse of authority or violations of corporate structure.

A stark difference is evident in two Supreme Court decisions:

- Decision No. 67/PK/Pdt/2024**:** The court declared that an agreement remained valid despite a violation of the articles of association by the directors, because the third party acted in good faith and was unaware of the violation. This decision emphasizes substantive justice and the protection of vulnerable parties, aligning with the philosophies of Aristotle (corrective justice), Rawls, and Pound.
- Decision No. 601/K/Pdt/2016**:** The Supreme Court stated that a violation of the articles of association constitutes a fundamental breach, rendering the agreement null and void by law, without considering the principle of good faith**.**

The disparity between Supreme Court Decision No. 67 PK/Pdt/2024 and Supreme Court Decision No. 601 K/Pdt/2016 is a manifestation of the clash between substantive justice and formal justice. The latter decision emphasizes legal certainty and the supremacy of structure, aligning with the philosophies of Hobbes and Kelsen.

Therefore, moving forward, a jurisprudential guideline is needed that can balance these two approaches, allowing for judicial flexibility based on factual context, and ensuring legal certainty without sacrificing justice**.**

The application of the piercing the corporate veil doctrine in the disparity of court rulings concerning the articles of association and directors' signatures can be explained through several factors. This doctrine allows courts to penetrate the separating veil between the corporate entity and its directors, enabling a more in-depth evaluation of directors' actions, particularly when violations of the articles of association occur. The disparity in court rulings related to the articles of association and directors' signatures in cooperation agreements arises from several key factors influencing the judicial process and how judges interpret the law. Some of the factors causing this disparity include:

A. Differences in Legal Interpretation Regarding Directors' Liability

The piercing the corporate veil doctrine[6] is often applied to address situations where directors abuse the company's separate legal entity status to avoid personal liability. In the context of cooperation agreements, courts use this doctrine to determine whether directors' actions that violate the articles of association can be considered a form of abuse of authority.

In specific cases, like Supreme Court Decision Number 67 PK/Pdt/2024, judges have ruled that even with a violation of the articles of association, the agreement remained valid because the third party acted in good faith**.** Conversely, in Supreme Court Decision Number 601 K/Pdt/2016, the court declared the agreement null and void, arguing that a breach of the articles of association constituted a fundamental violation indicating an abuse of authority by the directors. This inconsistency reflects differing interpretations of the role of the articles of association and the piercing the corporate veil doctrine**.**[7]

In legal literature, this doctrine is often linked to efforts to ensure justice in cases where directors abuse their position for personal gain or to harm other parties. One of the primary factors contributing to the disparity in rulings is the difference in legal interpretation applied by judges in cases involving the articles of association and directors' signatures. In some instances, judges tend to emphasize the importance of compliance with the articles of association. The company's articles of association are considered a constitutional document governing all matters related to the authority of the board of directors, the board of commissioners, and shareholders. Therefore, a violation of the articles of association, particularly concerning the directors' authority to sign cooperation agreements, is deemed to automatically lead to the invalidation of the agreement.

On the other hand, some judges prioritize the protection of parties acting in good faith. In such cases, if a related party contracting with the company was unaware of any violation of the articles of association and acted in good faith, the agreement is still considered valid. This approach reflects the principle of good faith[8] in civil law, which upholds the stability of business

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[5] Ibid

[6] Henry Hansmann & Reinier Kraakman, "The Essential Role of Organizational Law," *Yale Law Journal* 110, no. 3 (2000): 387–440, diakses 17 Mei 2025, https://www.yalelawjournal.org/article/the-essential-role-of-organizational-law.

[7] Robert B. Thompson, "Piercing the Corporate Veil: An Empirical Study," *Cornell Law Review* 76, no. 5 (1991): 1036–1050, diakses 17 Mei 2025, https://scholarship.law.cornell.edu/cgi/viewcontent.cgi?article=3501&context=clr

[8] Radbruch, Gustav. *Rechtsphilosophie* (1947), mengemukakan bahwa hukum harus dapat diterapkan secara konsisten untuk menciptakan stabilitas hukum dalam masyarakat.

relationships and protects parties acting without malicious intent. Therefore, even if there's a violation of the articles of association, related parties acting in good faith are protected to prevent uncertainty that could harm them.

Judges in every case have the freedom to interpret laws and legal doctrines. Some judges tend to emphasize the importance of compliance with the company's articles of association as the foundation for determining the validity of an agreement. This approach focuses on the company's internal integrity, where a violation of the articles of association is considered to automatically invalidate the agreement, given that the articles of association are seen as the company's constitution that must be respected by all parties, including directors and external contracting parties. Conversely, other judges prioritize the protection of related parties acting in good faith. In this view, even if there is a violation of the articles of association, the agreement may still be considered valid, If a related party contracting with the company was unaware of the violation and acted in good faith, the agreement remains valid. This approach reflects the principle of good faith, which is highly upheld in civil law. It aims to maintain the stability of business relationships and ensure certainty for external parties involved.

Here's a breakdown of the differences in legal interpretation regarding directors' liability in Supreme Court Decision No. 67/PK/PDT/2024 and No. 601/K/PDT/2016:

a. Supreme Court Decision No. 67/PK/PDT/2024
   In this decision, the Supreme Court held that despite a violation of the articles of association, the cooperation agreement remained valid**.** This was based on the belief that the third party involved acted in good faith and had no knowledge of the violation. The judges in this case emphasized the protection of the third party, deeming it more important than strict adherence to the articles of association.
b. Supreme Court Decision No. 601/K/PDT/2016
   Conversely, in this ruling, the Supreme Court declared that a violation of the articles of association by the board of directors constituted a fundamental breach, resulting in the invalidation of the agreement. The judges viewed strict adherence to the articles of association as an absolute requirement that could not be disregarded, even if the third party might have acted in good faith.

Based on the explanations above, Decision 67/PK/PDT/2024 focuses on protecting third parties who are unaware of internal violations, employing a more flexible approach to breaches of the articles of association. In contrast, Decision 601/K/PDT/2016 emphasizes the importance of strict compliance with the articles of association as a legal foundation, disregarding the good faith of third parties. These two rulings reflect differing approaches to assessing directors' liability: one prioritizes substantive justice (protecting third parties), while the other prioritizes formal legal compliance. This highlights the need for more consistent jurisprudential guidelines to reduce such disparities.

B. Lack of Binding Jurisprudence

One of the primary causes of this disparity is the lack of binding jurisprudence within the Indonesian legal system. This gives judges considerable leeway to make decisions based on their individual interpretations.[9] Some judges tend to apply the piercing the corporate veil doctrine only in cases with clear evidence of bad faith or abuse of authority, while others are more stringent in evaluating violations of the articles of association. In some countries, like the United States, the application of this doctrine is more strictly regulated with clear criteria, such as the presence of fraud, undercapitalization, or misuse of corporate assets.[10]

Even though there are several rulings concerning violations of the articles of association in cooperation agreements, the existing jurisprudence is not binding on other courts. This gives judges the freedom to decide cases based on their individual considerations. Consequently, even in similar cases with comparable facts, judges can render different decisions. This uncertainty has the potential to increase disparity in the enforcement of laws governing directors' authority and the status of the articles of association in cooperation agreements. In the Indonesian legal system**,** jurisprudence is not binding. This means that even if there are previous similar rulings, judges are not obligated to follow them. This allows for differences in opinion among judges regarding how the law should be applied in similar cases. This inconsistency exacerbates legal uncertainty, especially concerning provisions in the articles of association, which often become the subject of disputes.

C. Factor of Unawareness by Related or Third Parties

This doctrine is also relevant in determining the extent to which related parties or third parties contracting with a company must examine the directors' authority. If the third party/related party has no way of knowing about a violation of the articles of association and acts in good faith, some courts are more inclined to protect that party by overlooking the company's internal breach. However, this view is not always consistent, which creates disparity in rulings. The protection of third parties acting in good faith

[9] Frank H. Easterbrook & Daniel R. Fischel, "Limited Liability and the Corporation," *University of Chicago Law Review* 52, no. 1 (1985): 89–117, diakses 17 Mei 2025, https://chicagounbound.uchicago.edu/cgi/viewcontent.cgi?article=4386&context=uclrev

[10] John C. Coffee Jr., "No Exit? Opting Out, the Contractual Theory of the Corporation, and the Special Case of Remedies," *Columbia Law Review* 81, no. 7 (1981): 1293–1371, diakses 17 Mei 2025, https://scholarship.law.columbia.edu/cgi/viewcontent.cgi?article=1571&context=faculty_scholarship

is crucial for maintaining the stability of business relationships. Yet, in some cases, courts place greater emphasis on the importance of adhering to the articles of association to preserve the integrity of corporate governance.

Differences in opinion regarding the extent to which a third party contracting with a company must verify the directors' authority in a cooperation agreement also exacerbate the disparity in rulings. Some judges believe that third parties have an obligation to ensure the directors' authority aligns with the provisions of the articles of association before signing an agreement. On the other hand, a more lenient view suggests that third parties do not need to be aware of internal company details if there are no clear indications of a violation. This unawareness on the part of the third party becomes a major factor in interpreting whether they are protected by law or, conversely, suffer losses due to internal corporate breaches.

D. Lack of Clear Guidelines

Beyond differing legal interpretations, the lack of clear guidelines on applying the piercing the corporate veil doctrine adds to the complexity of the issue. Courts often have to evaluate each case based on its specific facts without standardized guidance, leading to diverse rulings. The formulation of binding jurisprudential guidelines could help reduce this inconsistency, similar to how the English legal system uses the Salomon principle[11] as a primary reference.

Beyond subjective legal interpretations, the lack of clear jurisprudential guidelines or more detailed regulations on how violations of the articles of association should be treated means each court decides cases based on its own considerations. This adds to legal uncertainty, especially for businesses that require clarity in commercial agreements. The "lack of clear guidelines on applying the piercing the corporate veil doctrine" refers to the absence of consistent jurisprudential references or standards for applying this doctrine in court. This leads to several issues, such as:[14]

a. Inconsistent Rulings

Judges often use personal interpretations when assessing cases involving the misuse of corporate entities. For instance, similar cases might be decided differently due to variations in how judges approach the directors' liability and the relevance of the articles of association.

b. Difficulty in Determining Veil Piercing Criteria

The absence of guidelines leads to differing criteria for applying this doctrine. Some judges might only apply it if there's clear evidence of fraud, while others focus more on administrative violations, such as exceeding the authority outlined in the articles of association.

c. Loss of Legal Certainty

This ambiguity impacts legal certainty for parties contracting with companies. Third parties cannot predict how courts will rule if there's a violation of the articles of association, which reduces confidence in doing business.

d. Lack of Harmonization Between Regulations and Judicial Practice

The lack of clear guidelines also results in a gap between existing regulations and judicial practice. Current regulations are often not detailed enough to handle specific cases that require the application of piercing the corporate veil. To address this issue and rectify the existing disparity, several steps must be taken:

a. Establishing Jurisprudential Guidelines

The Supreme Court needs to formulate official guidelines to provide a clear reference for judges handling cases involving this doctrine. These guidelines would aim to standardize the interpretation and application of legal principles related to the articles of association and directors' authority.

b. Judicial Training

Providing training and seminars on this doctrine can help judges better understand the criteria and principles for its application. Enhanced education would foster a more consistent approach across different courts. c. Harmonization of Regulations

The government should evaluate relevant regulations to ensure they support the consistent application of this doctrine in courts. Harmonizing existing laws with judicial practice would reduce ambiguity and strengthen legal certainty.

The absence of these clear guidelines is a major contributor to the disparity in court rulings, making it crucial to address this issue promptly to enhance justice and legal certainty.

2. Legal Certainty Regarding the Status of Articles of Association and Directors' Signatures in Cooperation Agreements Amidst Disparate Court Rulings

Legal certainty in this context is significantly influenced by the application of the piercing the corporate **veil** doctrine, which aims to ensure that the law is not abused by parties hiding behind a company's legal personality. Legal certainty regarding the status of articles of association and directors' signatures in cooperation agreements is severely disrupted due to the existing disparity in

[11] *Salomon v. A Salomon & Co Ltd* [1897] AC 22 (House of Lords), tersedia di: https://www.bailii.org/uk/cases/UKHL/1896/1.html, diakses 17 Mei 2025. [14]*Achmad Raffael Prayoga, "Penerapan Doktrin Piercing the Corporate Veil terhadap Direksi Perseroan dalam Hukum Perusahaan,"* Journal of Private and Commercial Law 7, no. 1 (2024): 47–69, https://journal.uii.ac.id/JPCOL/article/view/37293/17642.

court rulings. This directly impacts the business world, which requires legal certainty to conduct transactions.Here's a more detailed explanation of how the disparity in rulings affects legal certainty:

A. Uncertainty Regarding Agreement Validity

Disparities in court rulings create uncertainty regarding the validity of agreements made between companies and related parties. In some decisions, even if there's a violation of the articles of association, the agreement is still considered valid if the related party acted in good faith. However, in other rulings, courts declare the agreement null and void if a violation of the articles of association is found, regardless of whether the related party acted in good faith.

This differing judicial perspective leads to uncertainty about whether an agreement involving a related party can be invalidated or remains in force. Contracting parties cannot be sure if they will be protected should a violation of the company's articles of association occur.The piercing the corporate veil doctrine provides legal certainty for good-faith third parties by affirming that directors' personal liability can be enforced if they act unlawfully or exceed the authority granted by the articles of association. This is crucial for protecting third parties from losses due to internal actions that do not comply with corporate legal provisions.

In Supreme Court Decision No. 67/PK/PDT/2024, the Supreme Court ruled that even with a violation of the articles of association by the directors, the agreement remained valid. This was because the third party acted in good faith and was unaware of the violation. The judges prioritized protecting the third party to maintain the stability of business relationships. This approach, however, creates uncertainty about the validity of agreements as it overlooks the principle of adherence to the articles of association as the company's internal legal foundation. Conversely, in Supreme Court Decision No. 601/K/PDT/2016, the Supreme Court invalidated the agreement, reasoning that a director's violation of the articles of association constituted a fundamental breach. The judges held that compliance with the articles of association must be prioritized to maintain the integrity of corporate governance. This view disregards protection for good-faith third parties, which creates uncertainty for businesses when entering into cooperation agreements. Adding another layer of complexity, in Supreme Court Decision No. 3086 K/Pdt/2018, the court invalidated an agreement because the directors acted outside the authority granted by the articles of association, but it still provided protection to the good-faith third party. The root causes of this pervasive uncertainty are: a. Differing Judicial Focus

The first ruling prioritizes the protection of third parties, while the second ruling places greater emphasis on adherence to the company's internal rules**.**

b. Lack of Consistent Standards

Legal uncertainty arises because there are no binding jurisprudential guidelines to determine the limits of third-party protection versus compliance with the articles of association.

c. Implications for Third Parties and Companies

These differing rulings create a dilemma for third parties seeking to ensure the validity of agreements, and simultaneously for companies striving to maintain compliance with their articles of association.

In conclusion, this uncertainty can be addressed through clearer and more consistent guidelines for applying the piercing the corporate veil doctrine. Such guidelines would effectively balance the protection of third parties with the integrity of a company's articles of association**.**

B. Uncertainty in Law Enforcement

Given the divergent rulings, where some judges declare that a violation of the articles of association automatically invalidates an agreement, while others allow exceptions for parties acting in good faith, legal uncertainty becomes very high. Parties contracting with a company cannot be sure whether the agreement they sign will be valid or null and void, as it depends on the judge's ruling. The application of the piercing the corporate veil doctrine also serves to prevent directors from using the corporate entity as a tool to evade personal liability. In some cases, judges apply piercing the corporate veil to ensure that unauthorized actions by directors do not harm parties contracting with the company. This prevention of abuse is crucial for fostering justice and preventing legal manipulation by irresponsible directors. Therefore, regulations from the government and relevant authorities are needed to reduce legal uncertainty by taking the following steps:[12] a. Drafting Specific Laws or Regulations

The government can draft laws or specific regulations that explicitly govern the application of the piercing the corporate veil doctrine**.** This regulation could include clear criteria for applying the doctrine, such as the presence of fraud, misrepresentation**,** or misuse of company assets. Additionally, it should establish protection for good-faith third parties by setting minimum standards for their due diligence obligations.

[12] *Sindy Oktavia dan Muhammad Fadhil, "Penerapan Prinsip Piercing the Corporate Veil terhadap Direksi dalam Kasus Penyalahgunaan Badan Hukum Perseroan,"* Swarajustisia: Jurnal Ilmu Hukum 10, no. 2 (2023): 295–308, https://swarajustisia.unespadang.ac.id/index.php/UJSJ/article/view/555/398

b. Jurisprudential Guidelines from the Supreme Court

The Supreme Court can issue Circular Letters or jurisprudential guidelines to provide guidance for judges in assessing cases involving the piercing the corporate veil doctrine. This aims to foster consistency in rulings and reduce disparity. c. Increased Corporate Transparency and Accountability

Regulations can mandate companies to disclose ownership structures, directors' responsibilities, and financial information more transparently. For instance, this could involve requiring periodic reporting to financial authorities or the Ministry of Law and Human Rights.

d. Application of Administrative and Criminal Sanctions

To curb the misuse of corporate entities, regulations can strengthen penalties against directors proven to have violated the articles of association. These sanctions could include administrative fines**,** revocation of business licenses, or even criminal penalties in cases of fraud.

e. Stablishment of an Independent Oversight Body

The government can establish a specialized body tasked with overseeing the implementation of **good corporate governance** principles**.** This institution could assist in assessing whether directors' actions comply with the articles of association and applicable laws.

C. Strengthening Protections for Good-Faith Parties

While it's crucial to adhere to the articles of association, parties acting in good faith must also receive adequate legal protection. Therefore, a balance is needed between protecting these related parties and strictly enforcing compliance with the company's articles of association. Additional regulations are necessary to provide clearer legal protection for good-faith third parties, without overlooking the importance of adherence to the articles of association.

In applying the piercing the corporate veil doctrine, strengthening protection for good-faith third parties is often a priority for judges. However, this view isn't always justifiable, especially if such protection contradicts the articles of association and harms parties who are legitimately entitled to rights based on the company's internal provisions.

In some instances, judges prioritize protecting good-faith third parties without fully considering violations of the articles of association. This can lead to unfair outcomes for parties who strictly adhere to internal rules. Judges may sometimes too readily accept a third party's claim of good faith without thoroughly examining the evidence or circumstances surrounding the contract. This could result in parties who actually had knowledge of the violation receiving undue protection. If the piercing the corporate veil doctrine is misapplied—for example, without clear evidence of abuse by directors—it could be exploited by parties seeking to evade legal responsibility. To mitigate this potential for error, it's crucial for courts to strike a balance between protecting third parties and upholding compliance with the articles of association. This approach should be supported by more detailed jurisprudential guidelines and robust evidence when deciding whether this doctrine should be applied.

D. Implications for the Business World

This legal uncertainty, stemming from the disparity in court rulings, significantly elevates legal risks for the business world. Entrepreneurs and companies entering into cooperation agreements cannot be sure whether their agreements will be honored or declared null and void based on existing court decisions. The business world relies on legal certainty to maintain stable business relationships. If this uncertainty persists, it can erode trust in the legal system, which, in turn, could impact investment decisions and inter-company collaborations. This disparity in rulings gravely affects businesses that depend on legal certainty to ensure their signed contracts will be respected and enforced. Such uncertainty can lead to substantial legal risks, as good-faith parties might suffer losses if agreements they made are suddenly invalidated due to violations of the articles of association they were unaware of.

On the other hand, even though some rulings protect parties acting in good faith, this can create difficulties for those contracting with a company if the individual acting on the company's behalf actually lacks sufficient authority according to the articles of association. Therefore, despite efforts to protect good-faith third parties, the ambiguity surrounding directors' authority in cooperation agreements remains a major issue in maintaining legal certainty. The legal uncertainty resulting from disparate rulings can disrupt business stability. Entrepreneurs and investors need assurance that the contracts they sign will be honored. With consistent application of the piercing the corporate veil doctrine, courts can provide legal clarity and prevent losses caused by violations of the articles of association. This legal certainty will create a more conducive business environment and encourage greater investment in the business world.

Applying the piercing the corporate veil doctrine in the context of disparate court rulings can offer a solution to the resulting legal uncertainty. This doctrine can also strengthen the legal standing of the articles of association as a primary guide in corporate governance. Integrating the piercing the corporate veil doctrine [13] into the analysis of disparate court rulings provides a clearer framework for assessing directors' authority and the validity of cooperation agreements. With consistent application, this doctrine can enhance legal certainty and protect good-faith parties in business transactions. Regarding the relevance of the piercing the

[13] Stephen Bainbridge, "Abolishing Veil Piercing," *Journal of Corporation Law* 26, no. 3 (2001): 479–535.

corporate veil doctrine to disparate rulings, there is indeed a potential for judicial error when evaluating cases. Such errors can arise from several factors:[14]

a. Limitations in Judges' Understanding of the Veil Piercing Concept[15]

As a result, the application of this doctrine in certain cases may be inconsistent or even incorrect. For example, judges might too quickly conclude that a corporate entity has been misused without sufficient evidence, which could harm innocent parties. b. Excessive Focus on Internal Compliance

Some judges tend to place too much emphasis on compliance with the articles of association without considering the good faith of third parties. This can lead to unjust decisions, especially if the third party had no knowledge of or access to the company's internal information.

c. Difficulty in Assessing Evidence of Misuse

Assessing whether a director's action constitutes a form of misuse that justifies veil piercing often requires complex analysis and strong evidence. If such evidence is not managed or understood properly, judges can misinterpret the situation, leading to erroneous rulings.

d. Inconsistent Jurisprudential Guidelines

Errors can also arise from the lack of clear jurisprudential guidelines. Judges may hold differing opinions when evaluating similar cases, leading to legal uncertainty and disparate rulings that harm the business world.

Therefore, it's crucial to enhance judges' understanding of this doctrine and develop clearer guidelines to reduce the potential for errors in court rulings.

CONCLUSIONS

The disparity in court rulings concerning violations of the articles of association and directors' legal actions stems from differing legal interpretations by judges. Supreme Court Decision No. 601 K/Pdt/2016 emphasized the importance of formal compliance with the articles of association as the legal basis for agreements. In contrast, Decision No. 67 PK/Pdt/2024 placed greater emphasis on the principle of protecting good-faith parties. This difference in approach highlights the absence of binding jurisprudence and a lack of technical guidelines within the judiciary, as well as an insufficient in-depth understanding of corporate law among some judges. This leads to disparate rulings that result in legal uncertainty in the business world**.**

Legal certainty regarding the status of the articles of association and directors' signatures in cooperation agreements can be strengthened by applying the piercing the corporate veil doctrine. This doctrine serves as an instrument to assess the liability of directors who act beyond the authority granted by the articles of association **(**ultra vires). It allows courts to evaluate the motives and intentions of the actors while still providing protection to parties unaware of internal violations. However, this doctrine must be applied consistently to avoid creating new uncertainties. Furthermore, establishing jurisprudential guidelines, harmonizing regulations related to directors' authority, and increasing public access to company articles of association are crucial steps to strengthen the function of articles of association as a pillar of corporate governance and ensure legal certainty in every transaction. Thus, maintaining consistency between legal interpretation, internal company structure, and the protection of third parties is essential for the corporate civil law system to respond to the needs of the business world fairly, consistently, and sustainably.

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