



# DIGITAL DISPUTE RESOLUTION BASED ON LOCAL VALUES: THE RELEVANCE OF CUSTOMARY LAW IN THE FRAMEWORK OF ONLINE DISPUTE RESOLUTION (ODR) AND CIVIL LAW

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## Abstract

The development of digital globalization has changed the face of the Indonesian legal system, especially in the settlement of disputes arising from electronic transactions, e-commerce, and financial technology (fintech) services. Conventional litigation mechanisms are no longer considered efficient in responding to the dynamics of digital disputes that are cross-border and require quick resolution and more inclusive access to justice. This condition encourages the development of Online Dispute Resolution (ODR) as a technology-based alternative dispute resolution mechanism. The problem formulations in this research are as follows: (1) what are the challenges of implementing ODR in Indonesia within the framework of national law with civil law tradition, and (2) how can customary law values be integrated to strengthen substantive justice in digital dispute resolution? This study uses a normative legal approach with conceptual and comparative methods based on Lawrence M. Friedman's Legal System Theory and Satjipto Rahardjo's Progressive Law Theory. Through an analysis of laws and regulations (Electronic Information and Transaction Law, Arbitration Law, Personal Data Protection Bill), customary law principles, and ODR practices in common law and civil law countries, the results show that the Indonesian legal system does not yet have an adequate regulative and institutional basis for regulating ODR. The digital legal culture of the community is also still weak, so trust in online mechanisms is not optimal. The result of this research is the concept of a Hybrid ODR System, which is a digital dispute resolution model that combines civil law legal certainty with customary law values such as consensus deliberation, propriety, and restorative fairness. The novelty of this research lies in the integrative approach that combines the dimensions of technology, positive law, and socio-cultural values to form a typical Indonesian digital justice system that is technologically efficient, normatively valid, and humanistically just, in accordance with the spirit of Pancasila.

**Keywords:** *Online Dispute Resolution, Customary Law, Civil Law*

## 1. Introduction

The digital revolution has fundamentally changed the way humans interact, transact, and resolve disputes. In Indonesia, the development of information and communication technology has penetrated almost all sectors of life, from economic and social activities to public services. This transformation creates a dynamic and geographically borderless digital space in which legal relationships between individuals and legal entities no longer depend on physical interaction. Consequently, the national legal system faces new challenges in adjusting to these dynamics to remain relevant and effective in ensuring legal certainty. (Setiawati, Sholahudin, Nurfattah, Sari, & AP, 2023)

The increase in digital economic activity has spawned new forms of dispute. Disputes that arise are not only related to e-commerce and fintech transactions but also include data privacy violations, misuse of artificial intelligence (AI) algorithms, and the responsibility of digital platforms towards consumers. (Dalimunthe et al (2025). Such disputes demand a resolution mechanism that is not only fast and efficient but also fair and transparent. Conventional legal systems that rely on litigation processes are often unable to accommodate these needs because of their high costs, lengthy processes, and lack of flexibility to adapt to technological developments.

In response to these needs, various countries have developed Online Dispute Resolution (ODR) systems as an innovation in digital dispute resolution. ODR is a technology-based dispute resolution mechanism that allows parties to negotiate, mediate, or arbitrate through an online platform (Muarif,



S. (2025). It offers time and cost efficiencies and overcomes the geographical constraints that often hamper cross-border dispute resolutions. This concept is increasingly relevant in the context of digital economic globalization, which connects businesses and consumers from various countries. The ODR model widely adopted in Indonesia still refers to the common law legal system, as applied in the United States and the United Kingdom. This approach tends to emphasize precedent, interpretative flexibility, and the dominance of negotiated settlements and private arbitration. Indonesia's civil law legal system has a different normative character, with a strong emphasis on codification, legal certainty, and rigid procedural structures. This mismatch raises issues regarding the implementation of ODR in accordance with the national legal character.

In addition to differences in legal systems, the implementation of ODR in Indonesia faces sociocultural barriers. Indonesian society has a legal tradition that relies not only on written regulations but also on local values and customary law principles. In many customary communities, dispute resolution is achieved through deliberation, social balance, and harmony rather than through confrontational approaches such as litigation. These values are rooted in the philosophy of communal justice, which aims to restore relationships between citizens rather than simply punishing the guilty party. Customary law is highly relevant to dispute resolution, including in the digital age.

Principles such as deliberation for consensus, propriety, and balance reflect a restorative justice approach that emphasizes social healing and reconciliation. These values align with the spirit of peaceful dispute resolution at the core of the ODR mechanism. This integration of technology and local values can be a distinctive strength of Indonesia in developing a digital dispute resolution system that is not only effective but also rooted in the national legal identity. Indonesia's civil law system, which emphasizes legal formality and norm certainty, can provide the necessary structure to ensure procedural fairness in digital dispute resolution (Tarigan, N. F., & Sawitri, D. A. D. (2025). However, without the human and social values of customary law, the system risks becoming overly mechanistic. An approach that combines the rationality of civil law with the flexibility and substantive justice of customary law is required.

This integration is becoming increasingly important in the context of the globalization of the digital economy. Globalization has strengthened the penetration of Western legal values into national legal systems through trade and investment regulations. However, adopting foreign legal models without adjusting local values can erode the character of national law and weaken the social legitimacy of the law itself. The establishment of Indonesia's ODR system needs to consider local values to adapt to a digital society without losing the nation's legal identity. The local values contained in customary law, such as the balance between rights and obligations, deliberation, and propriety, not only have moral significance but can also be translated into operational principles in modern legal systems.

For example, the concept of deliberation can be adapted to AI-assisted negotiation or digital mediation, while the principle of propriety can be used as an algorithmic basis for assessing the proportionality of decisions. Customary law values can be transformed into contextual and adaptive digital legal norms. Integrating local values into ODR systems poses conceptual and technical challenges. One of the main challenges is translating qualitative social values into digital systems that work algorithmically. Principles such as consensus deliberation are difficult to operationalize in the binary logic of technological systems, requiring a multidisciplinary approach involving experts in law, technology, and legal sociology.

The urgency of innovating new legal models that are more adaptive to digital complexity. The lack of a comprehensive regulatory framework for ODR in Indonesia is a significant challenge. Existing regulations are still limited to aspects of online consumer dispute resolution, while a general legal framework for cross-sector ODR has yet to be established (Aziz, M. F., & Hidayah, M. A. (2020). This leads to inconsistencies in implementation and decreases the effectiveness of the ODR system. The involvement of the judiciary, government, and legal industry players is key to building an inclusive and trusted national ODR ecosystem.



Public trust is crucial for the implementation of ODR. Many people still doubt the validity of decisions made online, especially because of the lack of transparency and human involvement in the process. The application of customary law principles that emphasize openness, participation, and balance can increase the legitimacy of ODR systems in Indonesia. Humanistic and local value-based approaches can create trust and increase public acceptance of digital legal systems. From a comparative law perspective, several countries have attempted to adapt digital dispute resolution systems in accordance with their local values.

For example, China has developed a smart court system that emphasizes the Confucian principle of social justice. Japan combines traditional mediation approaches with digital systems to resolve online business dispute. This shows that the adaptation of local values is not a barrier but a reinforcing factor for the legitimacy of the legal system in the digital era. The problems studied in this research are how the position and challenges of customary law in the national legal system, especially in the context of digital dispute resolution and how local values and principles of customary law can be integrated in the framework of civil law-based Online Dispute Resolution (ODR) in Indonesia

Indonesia, with its rich legal culture, has great potential to develop a distinctive ODR model that combines the universal values of efficiency and legal certainty with social justice based on local wisdom. This effort not only enriches the national legal system but can also contribute to the development of global legal theory, especially in the context of civil law countries facing similar challenges in the era of legal digitalization. The novelty of this research is that it offers a conceptual model of a Hybrid ODR System, which integrates the normative structure of civil law with the values of social justice and Indonesian customary law culture. This model was developed as a uniquely Indonesian approach to technology-based, digital dispute resolution. This approach prioritizes efficiency and legal certainty and emphasizes the importance of human dimensions, social balance, and communal justice in the digital legal framework. This study contributes to the development of legal theory and practice that is more contextual, inclusive, and rooted in national identity.

## **2. Literature review and hypothesis/es development**

The digital revolution has triggered major changes in various aspects of life, including the legal profession. This transformation creates a new social space where economic activities, communications, and legal transactions occur without geographical boundaries (Asriani et al., 2025). In Indonesia, the digitalization of the economy has encouraged the growth of e-commerce, fintech, and various digital platforms that accelerate the flow of transactions but also increase the potential for disputes among users. Conventional dispute resolution patterns are now considered less efficient in dealing with the cross-border, fast, and data-based characteristics of digital disputes. Rohaini et al. (2025) confirm that technological advances have changed the landscape of international trade and demand adaptive, effective, and efficient dispute resolution mechanisms.

This research highlights how Online Dispute Resolution (ODR) is an innovative form of Alternative Dispute Resolution (ADR) that utilizes electronic media such as email, chat, or video conferencing. Through a study of the Shopee platform, Rohaini et al. examined the application of artificial intelligence (AI)-based ODR in resolving disputes between consumers and sellers in Indonesia. Rohaini et al. found that AI chatbots play an important role in accelerating the process of resolving consumer disputes, increasing efficiency, and providing greater accessibility to digital justice services. However, they also highlighted the limitations of such automated systems, especially in handling complex cases that require the human touch of justice. The results confirm that Indonesia requires a more comprehensive regulatory framework to ensure legal certainty and consumer protection in ODR.

In this context, Rohaini et al.'s research contributes to the urgency of technology integration in dispute resolution. However, their approach is still technology-centric and oriented towards a common law model that emphasizes procedural efficiency and private contract-based settlements. Such an approach



pays little attention to the context of social and moral values that live in Indonesian society, which is based on the philosophy of Pancasila and customary law (Rohaini, R., Anjani, E., Rusmawati, D. E., & Wardhani, Y. K. (2025). The Indonesian legal system adheres to the civil law tradition, with normative and procedural characteristics that prioritize the certainty of written law. In practice, this approach is often too formalistic and neglects substantive justice. Indonesian customary law is more flexible, humanistic, and oriented towards deliberation for consensus. Customary law emphasizes social balance and harmony, which is highly relevant for integration into digital dispute resolution mechanisms that require flexibility and social acceptance.

Rohaini et al. (2025) state that Indonesia does not yet have a comprehensive ODR legal framework. The term ODR only explicitly appears in Government Regulation No. 80/2019 on Trading Through Electronic Systems, but without a clear definition or operational mechanism. This shows a regulatory and conceptual void that needs to be bridged through legal innovation rooted in national values. This is the empty space that became the entry point for this study. The limitations of a purely technological and positive legal approach indicate the need for ethical dimensions and local values in digital dispute resolution. Previous research has not explicitly addressed the potential of customary law values, such as deliberation, propriety, and communal justice, to become the normative basis for ODR.

These principles have substance in common with the concept of restorative justice, which is now a new paradigm for dispute resolution in various countries. Most previous studies have placed ODR as a continuation of traditional ADR without considering the complexity of Indonesia's legal culture. This approach ignores the fact that justice in Indonesia is not only derived from written law but also from social values that live in the community. This research highlights the need to develop a contextualized and local value-based ODR model so that the digital dispute resolution system can be accepted and effectively implemented.

### **3. Methodology**

This study uses a normative legal approach with the main theoretical framework of Lawrence M. Friedman's Legal System Theory and Satjipto Rahardjo's Progressive Law Theory as the basis for analysis. Friedman's theory is used to understand the interrelationship between legal structure (civil law and digital regulation), legal substance (ODR rules, Electronic Information and Transaction Law, Arbitration Law, and Personal Data Protection Bill), and legal culture (customary law values and deliberative ethics) in shaping an effective digital dispute resolution system. Meanwhile, Rahardjo's progressive law theory is used to emphasize the importance of law oriented towards substantive justice and human values in the face of digital transformation.

This research uses a conceptual and comparative approach, where the statute approach is applied to examine national legislation and international legal instruments, such as the UNCITRAL Technical Notes on ODR and the EU Regulation on Online Dispute Resolution, while the conceptual approach is used to explore customary law principles, such as deliberation, propriety, and social balance. In addition, a comparative approach is taken by comparing ODR practices in common law (the United States and the United Kingdom) and civil law (the Netherlands and Japan) countries to find a relevant model for Indonesia. The research data consist of primary legal materials (laws and regulations, court decisions, and international regulations), secondary legal materials (customary law literature, digital law theory, and technology ethics studies), and tertiary legal materials (legal dictionaries, policy documents, and reports of international institutions such as the OECD and UNCTAD). The analysis was carried out descriptively and analytically, and through an inductive method to formulate a conceptual model of the Hybrid ODR System that integrates customary law values with the civil law system in Indonesia's digital legal framework.

### **4. Results and discussion**

#### ***4.1 Digital Globalization and the Challenge of ODR in Indonesia***

The development of digital globalization has a major impact on the legal system in Indonesia, especially in the realm of online dispute resolution (ODR) (Djajadibrata, T. K. (2025). The growth



of e-commerce, fintech, and cross-border digital services demands a legal system capable of ensuring justice quickly, efficiently, and across jurisdictions in the digital realm. However, the results of the statute approach analysis show that national regulations such as the Electronic Information and Transaction Law, the Arbitration Law, and Government Regulation No. 80/2019 on Trading Through Electronic Systems have not explicitly regulated ODR procedures in Indonesia. This lack of clarity in norms causes a substantive legal vacuum that impacts the uncertainty of the parties involved in digital transactions.

According to Lawrence M. Friedman's Legal System Theory, this condition reflects an imbalance between the three main elements of the legal system: structure, substance, and legal culture. In terms of structure, Indonesia does not yet have a special institution that carries out the function of officially resolving online disputes (Siagian, F. S. (2023). In terms of substance, there are no rules governing the validity of digital decisions or the legal status of online mediation. Meanwhile, in terms of legal culture, people's digital legal literacy is still low, so trust in the ODR mechanism has not been formed. The conceptual approach analysis shows that without a balance of the three elements, Indonesia's digital legal system will be difficult to operate effectively.

According to Satjipto Rahardjo's Progressive Law Theory, the law must adapt to social and technological changes to remain relevant to society (Herlambang, P. B., Putra, R. P., & Nafia, D. M. A. (2025). ODR is not just a means of procedural efficiency but an instrument to expand access to substantive justice. Indonesian digital law must be developed progressively through the reinterpretation of national legal values that are oriented towards humanity and social balance. This approach is the basis for establishing a digital dispute resolution model that is adaptive to globalization but still rooted in the nation's local values.

The era of digital globalization has significantly transformed the way humans interact, transact, and resolve disputes. In Indonesia, the rapid development of e-commerce, fintech, and digital services has led to an increased need for a fast, efficient, and fair cross-border dispute resolution system. This phenomenon indicates that conventional legal mechanisms based on physical meetings and formalistic processes are no longer adequate for dealing with the dynamics of digital transactions. Globalization has expanded legal jurisdiction, demanding a dispute resolution system that is not only based on national law but also compatible with international legal practices. In the context of Lawrence

M. Friedman's legal system theory, ODR challenges can be seen from the three main components of the legal system, namely structure, substance, and legal culture (Adhilia, L. T. F., Wiwin, W., Aris, A., Jufri, S., Syahril, M. A. F., & Yasmin, M. (2025). In terms of structure, Indonesia still faces institutional limitations in operationalizing a comprehensive digital dispute resolution system. Online mediation and arbitration institutions do not yet have strong legal legitimacy. In terms of substance, there is no explicit legal basis that regulates ODR in the national legal system, because existing regulations such as the Electronic Information and Transaction Law and the Arbitration Law have not specifically accommodated the dynamics of technology-based dispute resolution. Law Number 30 Year 1999 on Arbitration and Alternative Dispute Resolution accommodates the implementation of arbitration and alternative dispute resolution in Indonesia. However, its existence is less effective in resolving civil disputes in certain communities because it does not accommodate the values of these communities (Listyani<sup>1</sup>, A. A., & Prihatinah<sup>1</sup>, T. L. (2023, December).

Legal culture and low digital legal literacy are serious obstacles to building public legal awareness of the legitimacy of online dispute resolution. Many business actors and consumers do not understand the legal status of electronic evidence, the validity of online decisions, or the supervision mechanisms of ODR institutions. This condition causes low public trust in the digital justice system itself. In Friedman's framework, this imbalance between structure, substance, and legal culture explains why Indonesia's ODR system has not run optimally. Digital globalization poses legal challenges related to cross-border jurisdictions. Disputes that occur in cyberspace often involve parties from different



countries with nonuniform legal systems. This raises the problem of the choice of law and the recognition of foreign judgments. The recognition of electronic evidence and digital signatures also requires strengthening so that they have the same evidentiary power as conventional documents (Bachsini et al., 2025).

According to Satjipto Rahardjo's Progressive Law Theory, the law should not be an obstacle to justice but should function as a means of social liberation. The ODR system in Indonesia must be developed not only to fulfill formal legal procedures but also to ensure the achievement of substantive justice in accordance with the social context of a digital society. This implies that the law must adapt to technological changes without losing human values. The urgency of integrating local values has emerged. Values such as *gotong royong*, deliberation, and social balance can strengthen Indonesia's digital legal culture. The ODR system is not only a technically efficient legal instrument but also reflects the humanistic identity of national law.

#### ***4.2 The Relevance of Customary Law in the Digital Age***

Through a conceptual approach, customary law is identified as a potential source of values for shaping a contextualized ODR system. Principles such as deliberation, appropriateness, and social balance are in line with the spirit of restorative justice in modern law. In a digital society, these values can be adapted into AI-assisted negotiation mechanisms or community-based ODR platforms that place participation and social harmony as the main focus of dispute resolution. The relevance of customary law in the digital context is not only normative but also sociological, as it strengthens the social legitimacy of online legal systems.

According to Friedman, customary law functions as an element of the legal culture in the Indonesian legal system. When the legal culture of society is aligned with the substance and structure of digital law, public compliance and trust in the ODR will increase. The integration of customary law into the digital system not only enriches the legal culture but also provides a moral foundation that distinguishes the Indonesian ODR system from the models of common law countries such as the United States or the United Kingdom, which tend to be individualistic. Thus, local value-based ODR is a manifestation of Indonesia's legal independence in the face of globalization.

From Rahardjo's Progressive Law Perspective, the application of customary law values in the ODR system shows that the law must live (living law) and follow the pulse of the people's lives. Law is not a rigid entity but rather a means of achieving substantive justice and humanity. Customary values, such as deliberation and propriety, can be translated into algorithmic principles in the online negotiation system so that technology remains on the side of humans. Thus, customary law serves as the "spirit" of Indonesian digital justice that balances technological efficiency with social morality (Julranda, R., Siagian, M. G., & Zalukhu, M. A. P. (2022). Customary law reflects the personality of the Indonesian nation, emphasizing the principles of deliberation, balance, and social harmony. In the context of dispute resolution, customary law does not aim to win one party but to restore social relations and maintain community harmony. These values can be the main inspiration for building a digital dispute resolution system that has substantive justice and is oriented towards the common good.

The principles of customary law, such as deliberation to reach a consensus, appropriateness, and balance, have substantial similarities with the spirit of restorative justice in modern law (JyantG. A. et al., T. I. D. W. P. (2020). In the context of ODR, these principles can be operationalized through AI-assisted negotiation mechanisms or community-based mediation platforms that focus on peaceful and participatory solutions rather than confrontational ones. This model creates a dispute resolution space that is more in line with the communication culture of Indonesian society than the adversarial model. Referring to Friedman's Legal System Theory, customary law values function as legal culture elements that strengthen the social legitimacy of the digital legal system. When people feel that their values are accommodated in the dispute resolution mechanism, their level of compliance and trust in the law increases. This shows that the success of ODR depends not only on formal legal instruments (structure and substance) but also on social acceptance shaped by local



legal culture. According to Satjipto Rahardjo, customary law is a manifestation of living law. The application of customary law values in digital dispute resolution is not a step backward but an actualization of the principles of contextual justice in the modern era. The ODR based on local values can be a means of progressive law because it combines technology with social morality.

Customary law offers high efficiency and flexibility. Deliberation-based settlements are faster than formal litigation and have strong moral legitimacy in the eyes of the community. In a digital framework, this flexibility can be adapted to online mediation mechanisms or artificial intelligence-assisted negotiation systems that work on the principles of communal justice. Customary law is not only relevant at the normative level but can also be an ethical and operational foundation for Indonesia's ODR system. This integration is in line with the spirit of progressive law, which places human and humanitarian values above procedural interests.

#### **4.3 The Synergy of Customary and Civil Law**

Civil law systems, such as those in the Netherlands and Japan, have advantages in legal certainty and codification, while customary law values in Indonesia excel in flexibility and social legitimacy (Suhartanto, F. P., & Febrianty, Y. (2024)). In the context of digital dispute resolution, the synergy between the two can create a legal system that is not only procedurally efficient but also substantively just. Civil law provides a stable legal structure, whereas customary law adds the ethical and human dimensions required for complex digital interactions. Within the framework of Friedman's Legal System Theory, civil law plays a role in strengthening the structural and substantive elements, while customary law enriches the legal culture dimension.

This synergy enables the formation of a complete digital legal system in which formal norms operate within the context of social values. An ODR that combines these two elements will have dual legitimacy: formal legal and socially acceptable. This approach can minimize the distance between written law and perceived justice. In line with Rahardjo's Progressive Law Theory, the integration of customary and civil law is a form of dynamic legal actualization. Progressive law must be oriented towards justice and human welfare, not just procedural compliance. By combining the certainty of positive law and the wisdom of customary law, Indonesia's ODR system can be an example of hybrid justice practices in dispute resolution systems that are efficient, fair, and contextual to the character of the Indonesian nation. Indonesia's legal system adheres to the civil law tradition, which emphasizes legal certainty through codification and written regulations. This system provides a strong normative framework, but is often rigid and less responsive to social dynamics (Purbowati, L., & Hoesein, Z. A. (2024)). In contrast, customary law is flexible, participatory, and emphasizes social balance. When synergized, these two systems can produce an efficient and equitable dispute resolution mechanism.

According to Friedman's Legal System Theory, civil law acts as an element of structure and substance, whereas customary law strengthens the legal culture dimension. The synergy among the three allows the formation of a complete legal system with a clear formal structure, rational legal substance, and legal culture in accordance with community values. This combination is the foundation of a sustainable and equitable justice system. The integration of customary and civil law also strengthens the idea of Progressive Legal Theory. According to Rahardjo, the law must live and develop with society and not become a restrictive instrument. When positive law (civil law) synergizes with customary law, justice is not only measured by normative certainty but also by social acceptance and benefits for the wider community.

This synergy model can be applied to ODR through a settlement stage that combines formal legal principles with a deliberative approach. For example, every digital dispute can be mediated first with the principle of restorative fairness before entering the digital arbitration or adjudication stage. In this way, the ODR system will be able to accommodate the value of efficiency as well as that of social justice. The result is the formation of a hybrid justice system, a legal system that is not only subject to formal rules but also contains social and moral dimensions. Hybrid justice restores the



meaning of law as a means of achieving a balance between certainty, expediency, and justice, three pillars that align with the idea of social justice in Pancasila. The integration of customary and civil law is not merely a compromise effort but a conceptual strategy to build a digital dispute resolution model that is uniquely Indonesian: based on local values, positive law, and oriented towards humane justice.

#### ***4.4 Design of Hybrid ODR Model Based on Local Value***

The Hybrid ODR System model proposed in this study seeks to combine normative, procedural, and ethical-sociological aspects in a cohesive framework. Normatively, this model is based on Indonesian positive laws, such as the Electronic Information and Transaction Law, Arbitration Law, and Draft Law on Personal Data Protection. The settlement mechanism is implemented through an interactive and consensus-based online mediation process. Ethically, customary principles such as deliberation, consensus, and restorative justice become the moral foundation at every stage. Within the framework of Friedman's theory, this model strengthens the structure of digital law by creating a legally recognized ODR institution, expands the substance of the law through special arrangements regarding online disputes, and fosters a new legal culture that respects participation and social values.

This model also realizes a living law according to Satjipto Rahardjo's idea, where the law functions to serve humans and effect social change. The practical implementation of this model can be achieved through the establishment of the Smart Mediation Platform, an online platform that allows parties to resolve disputes with the help of digital mediators who understand local customary values. This system does not replace human functions but rather strengthens them through technology that facilitates participatory justice. The stages of the system include digital verification, AI-based automated negotiation, and online deliberation guided by local mediators. Each stage is structured to ensure that the procedural, technological, and ethical aspects are balanced.

This system is not only a technological innovation but also a reconstruction of Indonesian legal values in a digital format. The strength of this model lies in its ability to adapt to the social context of Indonesian society. The local value-based approach ensures social legitimacy, and the positive legal foundation provides normative certainty. The synergy between the two forms an efficient and equitable dispute resolution system. Theoretically, the Hybrid ODR System model reflects a synthesis of Friedman's legal structure and Rahardjo's progressive legal spirit. Law no longer stops at the text but lives in the social context, technology, and cultural values of the nation.

#### ***4.5 Implementation Challenges and Regulatory Strategies***

While the concept of a Hybrid ODR System has great potential, its implementation faces various challenges from legal, institutional, and technological aspects. One of the main issues is the validity of ODR decisions, which is still doubtful in the national judicial system. In addition, there is no mechanism for digital mediator certification or ethical guidelines for AI use in dispute resolution. Friedman's legal structure, these challenges point to the need for institutional revamping. Indonesia needs a special entity that regulates and oversees the implementation of ODR to align with its national legal principles. This research proposes the establishment of the Indonesian Digital Dispute Resolution Authority (IDDRA) as a national authority responsible for the supervision, certification, and standardization of ODR mechanisms. In terms of legal substance, regulations need to be strengthened by including explicit provisions on ODR in legislation, including the recognition of online mediation and digital signatures as valid forms of evidence.

Harmonization with international instruments such as UNCITRAL Technical Notes on ODR is also important to ensure compatibility with global practices (Putri, D. E. (2019). The legal culture aspect is directed toward building public trust in the digital justice system. Public education on digital legal literacy, data protection, and the validity of online mediation are crucial steps to ensure that people not only obey the law but also understand and trust it. In the spirit of Rahardjo's progressive law, digital law reform should not stop at creating regulations but must create a humanistic and adaptive



legal system. ODR must become a space that is not only efficient but also a socially just law that “serves humans,” not the other way around. The strategy for implementing ODR in Indonesia must be pursued through three main channels: (1) strengthening the legal and institutional framework, (2) developing the capacity of technology and digital mediators, and (3) internalizing customary law values as the moral foundation of the digital justice system. This integration is the key to building Indonesian digital justice rooted in human values, legal certainty, and local wisdom.

## 5. Conclusion

Based on the analysis using Lawrence M. Friedman's Legal System Theory and Satjipto Rahardjo's Progressive Law Theory, it can be concluded that digital dispute resolution in Indonesia requires a legal system reform that is comprehensive, integrative, and rooted in local values. Digital globalization has expanded the realm of cross-border disputes, but national regulations have not been able to fully address this complexity. In Friedman's context, the elements of structure, substance, and legal culture are still unbalanced; the ODR organizing institution has not been formally established, the legal basis is not explicit, and the digital legal culture of the community is still weak. Meanwhile, through Rahardjo's progressive legal lens, the digital legal system must be directed to serve humans and substantive justice, not merely procedural compliance.

This study proposes a Hybrid ODR System model, an online dispute resolution system that combines legal certainty from the civil law tradition with flexibility and human values from Indonesian customary law. This model functions not only as a legal technology innovation but also as a means of revitalizing the values of deliberation, propriety, and social balance within the framework of digital justice. The implementation of this model can be realized through the establishment of the Indonesian Digital Dispute Resolution Authority (IDDRA) as a national institution that ensures the integration of technology, positive law, and local values, thus realizing an efficient, adaptive, and socially just Indonesian digital legal system in accordance with the spirit of Pancasila.

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