



***Executive Summary
of Franchise Laws
Around the World
(December 2008)***

Albania

- **Disclosure law:**

- Both parties must exchange information on matters of relevance to the franchise business in good faith.

- **Relationship restrictions**

- Franchisor must:
 - Protect its intellectual property against infringement by third parties.
 - Provide the franchisee with training and support.
 - Ensure that it owns the intellectual property that it licenses to the franchisee.
 - If the franchisor does not own the rights, the franchisee may demand a reduction in fees.
 - After the end of the franchise contract, franchisee and franchisor have a reciprocal obligation to compete fairly
 - The franchisor may prohibit the franchisee from competing in the local market for one year; provided if the franchisee suffers a “decrease in its professional activity”, it is entitled to “a corresponding financial compensation.”
- The parties should keep the disclosure information confidential.

- **Registration laws:**

- None.

Alberta, Canada

- **Disclosure laws:**

- Disclosure must be provided at least fourteen days before the earlier of (1) the signing of any agreement or (2) the payment of any funds by the prospective franchisee to the franchisor.

- **Relationship laws:**

- Impose a duty of fair dealing on each party.
- A franchisor may not restrict franchisees from forming an organization of franchisees.

- **Registration laws:**

- None.

Australia

- **Disclosure laws:**

- Franchisors must provide a copy of the Franchising Code of Conduct (the Code) and a disclosure document to prospective franchisees prior to a franchise sale, renewal, or extension.
- Disclosure document must be provided to franchisees or prospective franchisees 14 days before the franchise agreement is signed or any money is paid.

- **Relationship laws:**

- A 7-day cooling off period is given to the franchisee once the franchise agreement has been signed.
- The Code has specific provisions regarding breach, termination, mediation, and transfers of the franchise.

- **Registration laws:**

- None.

Barbados

- **Disclosure law:**

- None

- **Relationship restrictions**

- None

- **Registration laws:**

- Franchisee must apply for and obtain a license in order to operate under a franchise agreement under the *Franchises (Registration and Control) Act*.

Belarus

- **Disclosure law:**

- None

- **Relationship restrictions**

- Franchisor must:

- Provide training and assistance
- Obtain registrations for its intellectual property
- The franchisor is “subsidiarily” liable for claims made by third parties against the franchisee for not maintaining the quality of goods and services.
- The franchisor is jointly and severally liable for claims made by third parties against the franchisee for substandard goods produced by the franchisee.

- **Registration laws:**

- None.

Belgium

- **Disclosure law:**

- Disclosure required one month before signing.

- **Relationship laws:**

- None.

- **Registration laws:**

- None.

Brazil

- **Disclosure laws:**

- Disclosure must be provided ten days prior to the execution of the franchise agreement (or “preliminary franchise agreement”) or the payment of any fee by the prospective franchisee to the franchisor or any related company or individual.

- **Relationship laws:**

- None.

- **Registration laws:**

- Registration of the agreement (translated into Portuguese) with the Brazilian Patent and Trademark Office (“INPI”) and Central Bank is required.

China

- **Disclosure laws:**

- The franchisor must provide the prospective franchisee with a disclosure document at least 30 days before executing the franchise agreement.

- **Relationship laws:**

- The franchisor must have had two company-owned units (in China or elsewhere) for at least one year
- The franchise agreement must provide for a “cooling-off” period
- Minimum term of 3 years

- **Registration laws:**

- Franchisors must register with the Chinese government agencies (MOFCOM at the central government level) within 15 days after signing the first franchise agreement.

Croatia

- **Disclosure laws:**

- None.

- **Relationship laws:**

- None.

- **Registration laws:**

- None.

- **Note:** Croatian law merely defines what a “franchise” is.

Estonia

- **Disclosure laws:**

- None.

- **Relationship laws:**

- The franchisor must provide training and ongoing assistance
- The franchisor may check on the quality of the goods manufactured by the franchisee and the services provided by the franchisee pursuant to the franchise arrangement.
- The franchisee must ensure that the quality of the goods manufactured by the franchisee and the services rendered by the franchisee pursuant to the franchise agreement are the same as those manufactured by or provided by the franchisor.
- The franchisee must follow the instructions of the franchisor when operating the business so that it operates on the same basis and in the same manner as the franchisor
- The franchisee must provide its customers with the same additional services as they would expect when purchasing goods or services from the franchisor.

- **Registration laws:**

- None.

France

- **Disclosure laws:**

- Disclosure must be provided 20 days prior to signing or payment of money.

- **Relationship laws:**

- None.

- **Registration laws:**

- None.

Georgia

- **Disclosure laws:**

- Both parties must openly and completely inform each other about the circumstances relating to the franchise, especially the franchise “system,” and to communicate the information to each other in good faith.

- **Relationship law:**

- The franchisor must:
 - Provide the franchisee with the intellectual property rights, know-how concerning management, production, purchase and marketing of the goods as well as other information required for promotion of sales.
 - Protect the intellectual property against infringement and develop the franchise program “consistently.”
- The franchisee must:
 - Pay the franchise fee, the amount of which is essentially calculated taking into account the contribution made toward the implementation of the system of the franchise.
 - Actively conduct the business with due diligence and receive services and purchase goods through the franchisor or persons named by the franchisor if this is directly related to the objective of the agreement.

- If the duration of the contract exceeds 10 years, then either party is entitled to terminate the contract on one year's notice. If neither party terminates, the contract is extended for two years beyond its expiration. If the contract expires by lapse of time or by the initiative of one of the parties, "then the parties shall try, observing the principles of mutual confidence, to continue the contract on the same or altered terms up until the time the business relationship is actually ended."
- The franchisor may impose a post-term non-compete within a specified territory for one year. However, if the non-compete covenant "endangers the professional business [of the franchisee], then an appropriate monetary compensation shall be given to the franchisee. . . ."
- If the franchisor breaches its contractual obligations, the franchisee "shall be entitled to reduce the franchise fee." The amount of the reduction shall be determined by "an independent expert."
- The parties are obligated not to disclose the information confided to each other even if the agreement is not executed.

- **Registration laws:**

- None.

Indonesia

- **Disclosure laws:**

- Franchisor must disclose certain information to prospective franchisees sufficiently in advance.

- **Relationship laws:**

- 10-year term for a master franchise
- Requirements of local language and local governing law
- The intellectual property right under the franchise must be registered.
- A franchise must be proven “profitable.”

- **Registration Laws:**

- Franchisor must register franchise-offering prospectus before signing a franchise agreement with franchisee.
- The franchisor shall register the franchise agreement.

Italy

- **Disclosure laws:**

- Disclosure required 30 days prior to the contract.

- **Relationship laws:**

- The franchisor must have “tested its business concept in the market.”

- Contract must be at least 3 years.

- May only terminate for “substantial” breach.

- Franchise may not re-locate without franchisor’s consent.

- **Registration laws:**

- None.

Japan

- **Disclosure Laws:**

- *Medium-Small Retail Business Promotion Act* requires pre-sale disclosure for certain retail franchise operations.
- The Japan Fair Trade Commission published the *Guidelines on Franchising* under the *Anti-monopoly Law* (the “**Guidelines**”), which requires pre-sale disclosure in franchising.

- **Relationship laws:**

- The Guidelines have provisions regarding the vertical restraints imposed by the franchisor on the franchisee.

- **Registration laws:**

- None.

Kazakhstan

- **Disclosure laws:**

- None.

- **Relationship laws:**

- Franchisor's Rights:

1. Control the quality of goods and services.
2. Preemptive purchase in the event the franchisee transfers its company.
3. To enter into additional contracts with the franchisee.
4. To act as the franchisee's guarantor.
5. To terminate and claim damages if the franchisee violates the Agreement.

- Franchisor's Obligations:

1. Provide the franchisee with an operations manual.
2. Train and consult the franchisee as defined in the franchise agreement.
3. Not to disclose confidential information obtained from the franchisee.

- **Registration laws:**

- None.

Kyrgyzstan

- **Disclosure laws:**

- None.

- **Relationship laws:**

- Franchisor's obligation: Provide the franchisee with an operations manual.

- **Registration laws:**

- None.

Lithuania

- **Disclosure laws:**

- None

- **Relationship laws:**

- The franchisor must provide operations manual or other documentation.
- The franchisor must provide ongoing assistance and exercise quality control.
- Compliant franchisee has right to renew, except that franchisor may refuse to renew, provided it does not grant another franchise for the same territory for three years.
- The franchisee has option to terminate if franchisor changes the brand.
- On death of franchisee, heirs have right to continue the business.

- **Registration laws:**

- Franchisor is obliged to register the franchise agreement.

Macau

- **Disclosure laws:**

- Franchisor is obligated to disclose certain information (12 categories) and the standard franchise agreement to the prospective franchisee “with adequate advance.” If the franchisor fails to do so, the prospective franchisee may annul the contract.

- **Relationship laws:**

- **Exclusivity:** franchisee and franchisor may not compete with each other by rendering similar goods and/or services unless permitted in the franchise agreement.

- **Franchisor’s obligations:**

1. To act in good faith.
2. To train franchisee (ongoing).
3. To supply franchisee and/or provide franchisee with supplier’s information.
4. To compensate franchisee for the obligation of non-competition.
5. To inform franchisee “of all and any alterations introduced in the composition and presentation of the goods, in the conditions of sale, or in the rendering of the service, or any others concerning the running of the franchise.”

➤ Franchisee's obligations:

1. To act in good faith.
2. To attend training.
3. To keep all "know-how" information confidential.
4. To achieve a certain minimum sales requirement.

• **Registration laws:**

- None.

Malaysia

- **Disclosure laws:**

- Franchisor must provide prospective franchisee with a disclosure document at least 10 days before any franchise agreement is signed.

- **Relationship laws:**

- Franchisee is given 7 working days of “cooling off” period after the agreement has been signed.
- Minimum term for franchise agreement is five years.
- Compensation to franchisee if franchisor refuses to renew.
- No termination of the agreement except for good cause.

- **Registration laws:**

- A franchisor must register a franchise before making an offer to prospective franchisees. The registration must include a disclosure document, operations manual, training manual, financial documents, and a sample franchise agreement.

Mexico

- **Disclosure laws:**

- The disclosure document (including the completed franchise agreement) must be provided to the prospective franchisee at least thirty business days prior to the execution of the franchise agreement.

- **Relationship laws:**

- Franchisor and franchisee may not terminate the agreement unilaterally, unless the agreement is for an indefinite term, or unless there is just cause for termination.

- **Registration laws:**

- Either the executed franchise agreement or a summary of the franchise agreement must be filed with the Instituto Mexicano de la Propiedad Industrial (IMPI).

Moldova

- **Disclosure laws:**

- None required
- But if a franchisor makes a proposal for a franchise relationship, the proposal must contain:
 - Specifics about how the franchise program works.
 - “Salary levels of the employees”
 - “The prospective income”
 - The necessary investment

- **Relationship laws:**

- Dictates what subjects must be covered in a franchise agreement.

- **Registration laws:**

- Provides for a filing of the franchise agreement, with and for notice to, the Agency for the Protection of Industrial Property if the franchise agreement has ended. But, there is no penalty for failure to file.

Ontario, Canada

- **Disclosure laws:**

- Disclosure must be provided at least fourteen days before the earlier of (1) the signing of any agreement or (2) the payment of any funds by the prospective franchisee to the franchisor.

- **Relationship laws:**

- Impose a duty of fair dealing on each party.
- A franchisor may not restrict franchisees from forming an organization of franchisees.

- **Registration laws:**

- None.

Prince Edward Island, Canada

- **Disclosure laws:**

- Disclosure must be provided at least fourteen days before the earlier of (1) the signing of any agreement or (2) the payment of any funds by the prospective franchisee to the franchisor.

- **Relationship laws:**

- Impose a duty of fair dealing on each party.
- A franchisor may not restrict franchisees from forming an organization of franchisees.

- **Registration laws:**

- None.

Romania

- **Disclosure laws:**

- Pre-sale disclosure is required.

- **Relationship laws:**

- Contract must be long enough to allow franchisee to recoup its investment.

- **Registration laws:**

- None.

Russia

- **Disclosure laws:**

- None.

- **Relationship laws:**

- Franchisor must:

- Provide franchisee with operations manual or other documentation
- Provide ongoing assistance
- Supervise the quality of the goods manufactured by the franchisee

- Franchisee must:

- Ensure that goods the franchisee manufactures conform to franchisor's quality standards
- Conform with franchisor's uniformity standards
- Provide to its customers all additional services that would be expected if the customer purchased directly from the franchisor

- The franchisor shall be “subsidiarily liable” for claims made by third parties against the franchisee relating to the quality of the goods and services sold by the franchisee.

- The franchisor is jointly and severally liable for claims against the franchisee as the manufacturer of goods sold under the contract

- If the franchisee has been in compliance, it has the right to renew the contract.
- The franchisor may refuse to renew it, provided it does not grant a franchise to a third party, for the same territory for three years
- If the franchisee dies, the franchise will be transferred to the franchisee's heir, provided that the heir registers within 6 months.
- If the franchisor changes its brand to a new brand, the franchisee will have the option to terminate and may claim compensation for its losses.
- If the contract is not terminated, the franchisee may demand a reduction in fees.
- If the franchisor changes its brand to a new brand, the franchisee will have the option to terminate and may claim compensation for its losses.

- **Registration laws:**

- Registration is required.

Saudi Arabia

- **Disclosure laws:**

- None.

- **Relationship laws & registration laws:**

- Franchise agreements may be subject to the Commercial Agency Regulations (the "Agency Law"), which requires registration, and regulates the parties' relationship.

South Korea

- **Disclosure laws:**

- Franchisors are to provide all prospective franchisees, with a disclosure document at least 14 days prior to the execution of an Agreement or the payment of a fee .
- If the disclosure period above is not observed, the franchisee can demand a refund within two months after signing the Franchise Agreement.
- Franchisor shall renew its information disclosure document within 90 days after the end of its fiscal year.

- **Relationship laws:**

- The parties shall exercise good faith in performance of their duties in connection with the management of the franchise.
- If the franchisor decides not to renew the agreement, it must notify the franchisee of such decision 90 days prior to the expiration of the agreement.
- If the franchisor wants to terminate the agreement based on the franchisee's default, it must follow the procedures set out in the statute and the regulations.
- The franchisor must escrow the initial franchise fees.
- The franchisor must refrain from direct competition with the franchisee.

- **Registration Laws:**

- Franchisors must register their disclosure statements with the Korea Fair Trade Commission (effective February 4, 2008).

Spain

- **Disclosure laws:**

- Disclosure is required at least 20 days prior to the agreement, any “pre-agreement” or payment of money.

- **Relationship laws:**

- None.

- **Registration laws:**

- Franchisor must register with the Registry of Franchisors, including:
 - Information on trademarks
 - Description of franchise concept
 - Statistics on franchised and company-owned outlets in Spain
- Master franchisees must register their master franchise agreements
- Registrations must be updated annually
- Registration must be complete before contract is signed.

Sweden

- **Disclosure laws:**

- Disclosure must be provided “in ample time before a franchise agreement is entered into.”

- **Relationship laws:**

- None.

- **Registration laws:**

- None.

Taiwan

- **Disclosure laws:**

- Franchisor must disclose certain information to the prospective franchisee ten days prior to the signing of the franchise agreement.
- Franchisor must provide prospective franchisee with an Operations Manual and franchise agreement, and no agreement can be signed until after five days have passed.

- **Relationship laws:**

- None.

- **Registration laws:**

- Franchise agreement must be registered with the investment office.
- License Agreement for a trademark or service mark must be registered with the Republic of China Trademark Office.

Ukraine

- **Disclosure law:**

- None.

- **Relationship laws:**

- Franchisor must:

- Provide “constant” training and assistance
- Monitor the quality of the goods and services offering by the franchisee

- Franchisee must:

- Use the franchisor’s mark
- Ensure that the quality of goods and services it offers conform to the franchisor’s quality standards
- Follow the franchisor’s instructions as they relate to the franchise
- Provide the additional services to customers which they would expect if they dealt directly with the franchisor
- Inform customers that it is operating as a franchisee
- Respect the confidentiality of the franchisor’s proprietary information

- The franchisor may not set the prices to be charged by the franchisee

- The franchisor may not require the franchisee to sell only to a given category of customers or only to customers in a specific territory

- The franchisor has “subsidiary” liability for claims by third parties against the franchisor for substandard quality of goods and services offered by the franchisee.
- If the franchisee has been compliant, it shall be entitled to renewal on the same terms
- But: “The law may determine conditions under which a franchisor may refuse renewal.”
- Breach of a franchise agreement shall be subject to registration with the government
- A franchise agreement shall terminate if:
 - The franchisor’s rights in a trademark are terminated and not replaced with another trademark in which the franchisor has rights.
 - The franchisor is insolvent.
 - Franchise agreement shall be transferred to the heir of a deceased franchisee if the heir obtains a business registration within 6 months.
 - If any of the rights granted under a franchise agreement expire or are terminated during the term of the franchise agreement, the franchise agreement shall otherwise remain in effect and the franchisee shall have the right to a reduction in fees.

- **Registration law:**

- The parties may not represent to third parties that they have a franchise relationship until the franchise agreement has been registered.

United States

- **Disclosure laws:**

- At the federal level, the Federal Trade Commission has a Franchise Rule mandating pre-sale disclosure. The FTC issued its new Franchise Rule January 2007, which represents a comprehensive overhaul of the old regulatory regime. The new rule becomes effective July 1, 2007 and will become mandatory July 1, 2008.
- At the state level, there are 15 states that have laws requiring pre-sale disclosure.

- **Relationship laws:**

- At the federal level, there is not a “relationship” law that is generally applicable to franchise relations.
- At the state level, there are 20 states that regulate some aspects (e.g., termination, renewal) of the franchise relations.

- **Registration laws:**

- At the federal level, the disclosure document is not required to be registered with the FTC.
- At the state level, there are 14 states that require registration of the disclosure document.

- **Note:** Both the FTC and many states have “business opportunity” laws that might apply to certain types of franchise transactions.

Venezuela

- **Disclosure laws:**

- None.

- **Relationship laws:**

- A statute for determining whether to exempt certain franchise agreements from the country's Pro-Competition Law.

- **Registration laws:**

- None.

Vietnam

- **Disclosure laws:**

- Franchisors must provide prospective franchisees with a copy of the franchise agreement and “franchise description document” at least fifteen business days prior to the execution if the parties do not have some other agreement.

- **Relationship laws:**

- Must operate for at least one year before franchising.

- **Registration laws:**

- Franchisors must register with the Ministry of Trade prior to commencing franchising.

Contact:

Dennis Wieczorek

DLA Piper LLP (US)

Partner

Franchise and Distribution Practice Group

dennis.wieczorek@dlapiper.com

203 North LaSalle Street, Suite 1900

Chicago, Illinois 60601-1293

United States

T: (312) 368-4087

F: (312) 630-7362

Laws Applicable to Franchising

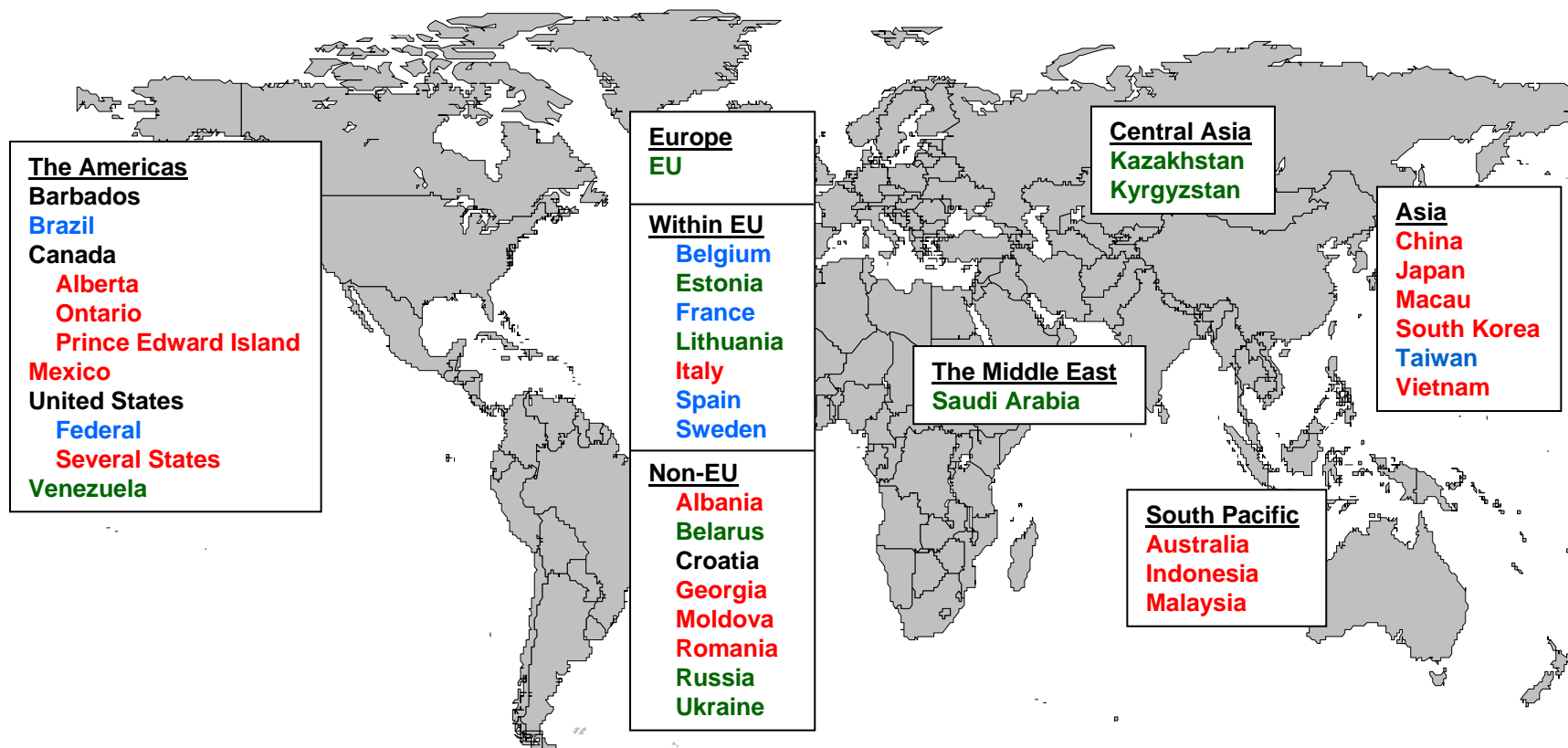
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Blue = Disclosure Law

Green = Relationship Law

Red = Disclosure & Relationship Laws

Black = Other



Does Not Include:

- Codes of conduct which do not provide for governmental or private enforcement, even if (e.g., South Africa) promulgated under governmental authority.
- Bodies of law (e.g. competition, intellectual property, etc.) which also cover franchising, unless explicitly mentioned.