



International Distribution Institute

THE UNIDROIT MODEL FRANCHISE DISCLOSURE LAW

FRANCHISE DISCLOSURE

WHO ?

- Franchisor (Art. 3)

“The party who grants another party in exchange for financial compensation the right to use a know-how and to benefit an assistance in the business of selling goods or services under a trademark” (Art. 2).

- And: Sub – Franchisor, Master franchisee, Affiliate of the franchisor,
- And: franchisee when assigning the franchise agreement to a new franchisee

FRANCHISE DISCLOSURE

TO WHOM ?

- A prospective franchisee
- Being excluded (Art. 5):
 - A former officer or director of the franchisor
 - The franchisee in case of a renewal of the franchise or a prospective franchisee already bound by the same type of agreement

FRANCHISE DISCLOSURE

WHAT ?

Information about Franchisor / Network / Agreement / Market

Regarding

1. The past

- Business experience of the franchisor (Art. 6, E) and of any person who has senior management responsibilities in relation to the franchise
- Any criminal convictions or any finding of liability relative to fraud or similar acts of these people (Art. 6, G)
- Any insolvency or similar proceeding involving franchisor and its affiliates (Art. 6, H)
- Franchisees that have ceased to be a franchisee during the last three years with an indication of the reason why (Art. 6, K)
- In case of a relationship between a master franchise and franchisees: information regarding the franchisor and the master franchise agreement (Art 6, 3)

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2. The present

- Legal name, form, address and principal place of business of the franchisor (Art. 6, A, C) and business address of senior managers (Art. 6, F)
- Trade mark or similar name under which the business franchise is carried on (Art. 6, B) and information about registration, owner, litigation if any (Art. 6, L)
- Total number of the franchisee outlets owned by franchisor or its affiliate(s) granting franchise under the same trade name (Art. 6, I), with names, business addresses and phone numbers of those who are located near the prospective franchise (Art. 6, J)
- Categories of goods or services that the franchisees are required to purchase or lease (Art. 6, M)
- Description of the state of general or local market of the products or services that are the subject of the franchise (Art. 6, O)

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3. The future

- A description of the franchise to be operated by the prospective franchisee (Art 6, D)
- An estimate of the prospective franchisee's total initial investment
- Financial statements of the franchisor for the previous three years (Art 6, N)
- The prospects for development of the market (Art 6, O ...)
- The terms and conditions of the franchise agreement (Art 6, 2), specifically :
 - Initial and on going training programmes
 - Exclusive rights to be granted / Relating to territory or limitations to be born customers / Trademarks / Products or sarnies ...
 - Conditions of renewal, termination, assignment or transfer of the franchise
 - Non compete obligations
 - All fees and payments
 - Applicable law and competent jurisdiction

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WHEN ?

Fourteen days earlier than:

- The signature by the prospective franchisee of any agreement relating to the franchise
- The payment by the prospective franchisee of any fees relating to the franchise

(Art. 3)



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HOW ?

- In writing
- Within a single document presented at one time with all the information required by the law

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ORTHERWISE ?

- If the disclosure document has not been delivered on time, in totality in compliance with requirements and in a good faith, the franchisee may terminate the franchise agreement (on 30 days written notice) or claim for damages suffered
- Such remedies must be exercised no later than 1 or 3 years depending on the conditions of the breach