

Franchise Agreement

Key terms

Part 2

The terms of manual, business secret, franchise fees – method of payment, rights and obligations of the parties, report, unilateral termination of agreement, penalty, etc. need to be established in the franchise agreement.





1. Term of franchise fees

2. Term of the Franchisor's Rights and obligations

3. Term of the Franchisee's Rights and obligations

1. Term of franchise fees



- The parties need to clarify the following contents: initial franchise fees, and monthly franchise fees (if any), as usual in some cases, the parties agree on an additional franchise fee that is paid monthly based on net profit received.
- In addition to the franchise fees, incurred fees such as training fees and other relevant fees are specifically recorded in this term. Although these fees may not have been incurred at the time of establishing the agreement, to implement the agreement smoothly, the parties should anticipate the incurred fees and record the method of implementation in the agreement, instead of recording “the parties will agree at the time of incurring”.



2. Term of the Franchisor's Rights and obligations

The right to require the franchisee to comply with the regulations about display, operation management, and quality of the product with the criteria set by the franchisor. The right to periodically and irregularly inspect the activities of the franchisee to ensure the franchisee is complying with the criteria agreed by the parties, the right to request reports, the right to suspend or unilaterally terminate the agreement when the franchisee violates, and the other relevant rights.

2. Term of the Franchisor's Rights and obligations

Regarding obligations, depending on the model and franchised object, the parties record the franchisor's obligations in the agreement. Accordingly, some of the franchisor's obligations are: providing materials or materials' information, suppliers, recipes, products' standards, training, guidance documentation, information confidentiality, obligation to ensure the franchisee's normal operation, to avoid unfair competition practices, conflicts of interest, etc.





3. Term of the Franchisee's Rights and obligations

3.1 Rights

- If you are a franchisee, you need to pay special attention to the franchisor's legitimate ownership of the franchised object, which must be recorded in legal documents according to the regulations of the law.
- In order to operate smoothly, maintain competition, the franchisee has the right to require the franchisor to maintain fair competitiveness between the franchisees in the same system.
- Besides, the scope of use, the franchisee's rights to trademarks, images, slogans, etc are considered as important contents that the franchisee needs to keep in mind to maintain the franchisee's normal operation during the agreement term.

3. Term of the Franchisee's Rights and obligations

3.2 Obligations



Regarding obligations, as usual, the franchise agreement has some basic obligations such as: information confidentiality, commitment not to change any relevant contents of the franchised object, financial commitment and necessary licenses so that the franchisee operates legally, obligations to report, obligations to comply with the advertising regulations to ensure fair competition between the franchisees in the same system, obligations to be punished and compensated when there is a breach of agreement, responsibility when terminating the franchise agreement, etc.

4. Conclusion

In addition to the above terms, to maintain the parties' compliance with the committed contents of the franchise agreement, the parties need to pay more attention to the terms of penalties for breach of agreement, compensation, unilateral termination of agreement, dispute settlement, applicable law, force majeure events, agreement interpretation, etc.

CDLAF recommend the parties fully record the agreement. The agreement is a legally valid document to guide action, and the behavior of each party during the implementation of the agreement, so fully recording will ensure the parties' interests.



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