

## FRANCHISING DEAL

**Dr. AbdelGair Warsama**

**LEGAL COUNSEL**



Many types of franchises exist today, in a range of industries. Restaurants, food, medical services and many other products are part of franchising or looking for. From a legal perspective, franchise is a type of license granted by one owner to another.

The franchisor licenses its trade name and operating methods, to a franchisee who agrees to do business according to the terms of the license. Measures to protect intellectual property and brand guidelines, is required, and the franchisee pays fee and royalty as consideration. Franchising is mainly for expanding business and services through certain contracts. Franchisor adds additional franchises, while each franchisee agrees to manage and operate their business subject to the terms of the franchise agreements.

The legal definition for franchising varies from place to another. However, the US Federal Trade Commission definition of a franchise is provided in the Franchise Rule that, “a franchise means any continuing commercial relationship or arrangement, whatever it may be called, in which the terms of the offer or contract specify, or the franchise seller promises or represents, orally or in writing, that, the franchisee will obtain the right to operate a business that is identified or associated with the franchisor’s trademark, or to offer, sell, or distribute goods, services, or commodities that are identified or associated with the franchisors trademark, the franchisor will exert or has authority to exert a significant degree of control over the franchisees method of operation, or provide significant assistance in the franchisees method of operation, and as a

condition of obtaining or commencing operation of the franchise, the franchisee makes a requirement payment or commits to make a required payment to the franchisor or its affiliate.” This gives a helpful detailed comprehensive definition to explain franchising.

Therefore, the franchise relationship includes the entire business including the franchisor trade name. Most companies license their intellectual property, which includes their “special unique” trademarks and business systems and based on this the franchisor brand represents its most valuable asset. The consumers want to obtain products and services for which the brand is known and proven to all. Franchising allows “SMEs” and “entrepreneurs”, of whom we find many active parts in our region, to own and operate a business under identified brands with long history and good name. When working with a good franchisor, franchisees receive the tools and support they need to live up to system standards and ensure all types of customers satisfaction.

Franchisors expect consistent execution of the company brand standards at each location, regardless of whether the location is a company owned or a franchisee owned location. Franchisors invest a lot of time, energy, and financial resources in developing and supporting their brands, and in the consumers mind, a franchisor brand equals the company reputation and know-how. In this respect, the successful franchisor enforces some standards with franchisees, because they want to ensure that customers are satisfied on each and every time they shop at a franchised location. The franchisor also needs to protect the equity of the brand, as well as other franchisees sharing the brand. Needless to say that, in any successful franchise system, the franchisor and franchisee work together for their commercial benefits, interests and could be some personal satisfaction.

Franchising represents very interesting and lucrative business for all parties looking to expand their business or starting a new venture. However, it could be a real mess, if not well arranged from initial stages. Parties need to take the matter seriously, know the menu of each other, customer-base, know what they are actually looking for and consult with experienced parties to take necessary info and appropriate steps. At the top, take your first step rightly and diligently.