

INTERNATIONAL FRANCHISE AGREEMENT: KEY ELEMENTS AND TYPES

The International Franchise Agreement is usually defined as a contract whereby the franchisor grants the franchisee (based in another country), in exchange for direct or indirect financial compensation, the right to exploit a package of industrial or intellectual property rights relating mainly to know-how and commercial symbols, and to receive continuing commercial or technical assistance for the duration of the contract.

International Franchise Agreements may regard distribution of goods or supply of services. In distribution franchise agreements the franchisee is granted the right to market the products manufactured or supplied by the franchisor or by a supplier designated by the franchisor, under the franchisor's trademark according to the franchisor's commercial know-how and with its commercial assistance. In service franchise agreements, the franchisee is granted the right to provide services (e.g. restaurants, hotels etc.) developed by the franchisor, under the franchisor's trademark according to the franchisor's commercial know-how and with its commercial assistance.

KEY ELEMENTS OF INTERNATIONAL FRANCHISING

The core elements of a franchise contract can be narrowed to the following components of the franchise relationship.

For the franchisor:

- the licensing of know-how embodied in operational manuals and continuously updated, with a training support system;
- the licensing of trademarks and symbols; and
- the provision of assistance regarding distribution and management.

For the franchisee:

- the franchisor's exercise of reasonable quality controls over the franchisee to protect its intellectual property rights;
- the payment of initial and ongoing fees in exchange for the right to use these intangible assets;
- the participation in training courses organized by the franchisor;
- the use of franchisor's trademarks and symbols;
- the strict compliance with the franchisor's commercial standards; and
- the information given to the franchisor concerning any difficulty which may appear or improvements which may seem suitable.

For both parties, a franchising agreement provides:

- a system to resolve disputes, including the service of notice of defaults and opportunities to cure.

TYPES OF INTERNATIONAL FRANCHISING

There are many possibilities for internationalization of a franchise system. The traditional approach consists in the franchisor creating a wholly owned company or in appointing a master franchisee in another country, which will organize a domestic franchising network. Another possibility is to directly appoint franchisees in another country. Four alternatives should be mention:

International Franchise Agreement (individual units)

In this type of agreement the Franchisor grants to the Franchisee the exclusive power to distribute its products or services in establishments which are equivalently equipped and furnished, as well as the right to use Intellectual Property Rights (commercial signs, brands, trademarks etc.). It also provides the Know-How (Franchise Handbook), and the technical and commercial support for distribution to be carried out correctly.

This type of contract is usually used when the franchisor and the franchisee are in nearby countries. If the language of both countries is different, it is advisable to make bilingual versions (English-French, English-Spanish, English-German, etc.) to avoid misunderstandings in drafting and subsequent application of the contract. International Franchise Contracts (individual unit) in several languages can be found in the following links:

[International Franchise Contract - English](#)

[International Franchise Contract - French](#)

[International Franchise Contract - Spanish](#)

[International Franchise Contract - German](#)

[International Franchise Contract - Italian](#)

Master Franchise Contract

This is an Agreement between the Franchisor and a Master Franchisee. This agreement allows the Master Franchisee the right to own and operate more than one unit and the right to sub-franchise to other independent businesses during a specified time during a specific territory.

The type of relationship between the Franchisor and the Master Franchise is often far more knowledgeable and connected in the culture and business of the designated territory. However, the Franchisor loses a substantial part of control over the System resulting from this transfer of responsibility and the enforcement of System standards may be more difficult in this type of relationship. Accordingly, selection of the Master Franchisee is a crucial endeavour critical to the success of the relationship. Furthermore, Franchisor's liability is more or less important depending on the Master Franchisee's involvement in the adaptation ion of the concept. Master Franchise Contracts in English and Spanish can be found in:

[Master Franchise Contract - English](#)

[Master Franchise Contract - Spanish](#)

Area Representatives

Another alternative is to hire Area Representatives that enter into a representation agreement with the Franchisor to act as an intermediary between Franchisor and Franchisees. Unlike the Master Franchisee the Area Representative does not act on its account but in the name of and on behalf of the Franchisor. The franchise relationship is directly between the Franchisor and the Franchisee.

The area Representative's main obligations are evaluating, referring and procuring potential Candidates to the Franchisor and providing certain services to Unit Franchisees within its designated Territory, such as training, site selection, grand opening assistance and ongoing support. Accordingly, Franchise Agreements are entered into directly between the Franchisor and each individual Franchisee. The Area Representative frequently receives a portion (fixed amount) for each unit of franchise opened in its Territory and is often entitled to a portion of the Franchise Fee (commission fix as a percentage) collected for each Unit Franchise opened in its Territory's. The relationship between the Franchisor and the Area Representative is regulated through a contract of International Sales Representative. This type of contract in several languages can be found in the following links:

[International Sales Representative Agreement - English](#)

[International Sales Representative Agreement - French](#)

[International Sales Representative Agreement - Spanish](#)

[International Sales Representative Agreement - German](#)

[International Sales Representative Agreement - Italian](#)

Joint ventures or subsidiaries

The last alternative for franchisors is to consider setting up in the target market either a subsidiary over they have control or a joint venture with a local partner with knowledge of the target market in order to share risks and expertise for the purpose of establishing and developing the Franchisor's System. In a Joint Venture, the respective parties' contribution may differ position by requiring the joint venture company to enter into a Master Franchise Agreement, and possibly also a trademark license, in respect of the trademark to be used in the franchise business. Joint Ventures and subsidiaries are entry forms to establish franchises in foreign markets used by many multinational companies in the fast food and fashion industries. This type of contract in several languages can be found in the following links:

[International Joint Venture Contract - English](#)

[International Joint Venture Contract - French](#)

[International Joint Venture Contract - Spanish](#)

[International Joint Venture Contract - German](#)

Finally, it should be noted that when drafting an International Franchise Agreement the main objective is to achieve a fair balance between the interests of the franchisor and those of the franchisee, taking into account the core obligations of the contract.



To obtain models of International Contracts in 8 languages click here:



[INTERNATIONAL CONTRACTS MODELS](#)

NEGOTIATION AND ETIQUETTE GUIDES IN 70 COUNTRIES

How to negotiate and do business in
BRAZIL

Introduction
Brazil is the third largest country in Latin America with over 200 million people. It is a great agricultural power and a major exporter of commodities. Brazil's people value individualism, respect, and respect for authority. Business is a social activity and is often conducted in a relaxed and informal manner. Brazil is one of the few countries that are not an industrialized nation. Brazil's main industry is commodity exports. Brazil is the generation of the 19th century's great nations. Tom Copeland is Chief in Brazil.



KEY FACTS

POPULATION 191.1m
AREA 8,511,965 sq km
FORM OF GOVERNMENT Federal republic (28 states and 1 Federal district)
GDP PER CAPITA (PPP) USD 1,300
COUNTRY RISK RATING (Global Risk) (Rating: A1-A2, A3, A4, B-C, D)
CURRENCY Real (R\$) = 100 cents
OFFICIAL LANGUAGE Portuguese

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- Telephone code
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- National holiday

Negotiation and Etiquette in Brazil

How to negotiate and do business in
CHINA

Introduction
China is the most populous country in the world. It is a great agricultural power and a major exporter of commodities. China's people value individualism, respect, and respect for authority. Business is a social activity and is often conducted in a relaxed and informal manner. China is one of the few countries that are not an industrialized nation. China's main industry is commodity exports. China is the generation of the 19th century's great nations. Tom Copeland is Chief in China.



KEY FACTS

POPULATION 1,369,828,000
AREA 9,596,961 sq km
FORM OF GOVERNMENT Communist Party of China (CPC)
GDP PER CAPITA (PPP) USD 1,000
COUNTRY RISK RATING (Global Risk) (Rating: A1-A2, A3, A4, B-C, D)
CURRENCY Yuan (RMB) = 100 cents
OFFICIAL LANGUAGE Chinese

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Negotiation and Etiquette in China

How to negotiate and do business in...
RUSSIA

Introduction
Russia is the largest country in the world. It is a great agricultural power and a major exporter of commodities. Russia's people value individualism, respect, and respect for authority. Business is a social activity and is often conducted in a relaxed and informal manner. Russia is one of the few countries that are not an industrialized nation. Russia's main industry is commodity exports. Russia is the generation of the 19th century's great nations. Tom Copeland is Chief in Russia.



KEY FACTS

POPULATION 144.4m
AREA 17,098,246 sq km
FORM OF GOVERNMENT Federal republic (81 Federal administrative districts)
GDP PER CAPITA (PPP) USD 1,000
COUNTRY RISK RATING (Global Risk) (Rating: A1-A2, A3, A4, B-C, D)
CURRENCY Russian Ruble (RUB) = 100 kopecks
OFFICIAL LANGUAGE Russian and others (Chechen, Ukrainian, Armenian, etc.)

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Negotiation and Etiquette in Russia

How to negotiate and do business in
AUSTRALIA

Introduction
Australia is the sixth largest country in the world. It is a great agricultural power and a major exporter of commodities. Australia's people value individualism, respect, and respect for authority. Business is a social activity and is often conducted in a relaxed and informal manner. Australia is one of the few countries that are not an industrialized nation. Australia's main industry is commodity exports. Australia is the generation of the 19th century's great nations. Tom Copeland is Chief in Australia.



KEY FACTS

POPULATION 22.5m
AREA 7,688,284 sq km
FORM OF GOVERNMENT Federal republic (6 states and 2 independent territories)
GDP PER CAPITA (PPP) USD 23,500
COUNTRY RISK RATING (Global Risk) (Rating: A1-A2, A3, A4, B-C, D)
CURRENCY Australian dollar (AUD) = 100 cents
OFFICIAL LANGUAGE English

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Negotiation and Etiquette in Australia

How to negotiate and do business in
GERMANY

Introduction
Germany is the seventh largest country in the world. It is a great agricultural power and a major exporter of commodities. Germany's people value individualism, respect, and respect for authority. Business is a social activity and is often conducted in a relaxed and informal manner. Germany is one of the few countries that are not an industrialized nation. Germany's main industry is commodity exports. Germany is the generation of the 19th century's great nations. Tom Copeland is Chief in Germany.



KEY FACTS

POPULATION 82.3m
AREA 357,021 sq km
FORM OF GOVERNMENT Federal republic (16 states in Länder)
GDP PER CAPITA (PPP) USD 39,000
COUNTRY RISK RATING (Global Risk) (Rating: A1-A2, A3, A4, B-C, D)
CURRENCY Euro (EUR) = 100 cents
OFFICIAL LANGUAGE German

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Negotiation and Etiquette in Germany

How to negotiate and do business in...
JAPAN

Introduction
Japan is the 13th largest country in the world. It is a great agricultural power and a major exporter of commodities. Japan's people value individualism, respect, and respect for authority. Business is a social activity and is often conducted in a relaxed and informal manner. Japan is one of the few countries that are not an industrialized nation. Japan's main industry is commodity exports. Japan is the generation of the 19th century's great nations. Tom Copeland is Chief in Japan.



KEY FACTS

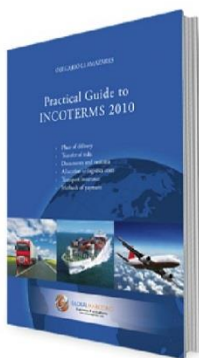
POPULATION 127.1m
AREA 377,837 sq km
FORM OF GOVERNMENT Constitutional monarchy (17 prefectures)
GDP PER CAPITA (PPP) USD 29,000
COUNTRY RISK RATING (Global Risk) (Rating: A1-A2, A3, A4, B-C, D)
CURRENCY Yen (JPY) = 100 cents
OFFICIAL LANGUAGE Japanese

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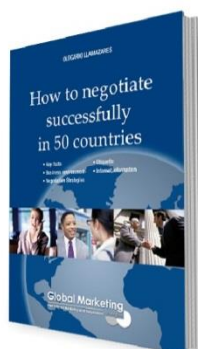
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Negotiation and Etiquette in Japan

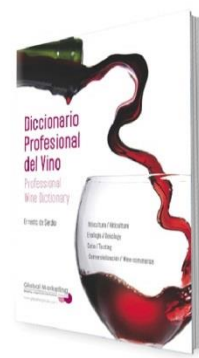
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