



## **WORLD FRANCHISE COUNCIL RESOLUTION CONCERNING THE INDEPENDENT NATURE OF THE FRANCHISOR- FRANCHISEE RELATIONSHIP**

**By definition, franchising is a system of marketing goods and/or services and/or technology, which is based upon a close and ongoing collaboration between legally and financially separate and independent undertakings, the Franchisor and its individual Franchisees, whereby the Franchisor grants its individual Franchisees the right and imposes the obligation, to conduct a business in accordance with the franchisor's concept. (See European Code of Ethics and European Case Law).**

**According to the World Franchise Council's Principles of Ethics, franchising is a commercial development strategy based on a contractual relationship between independent commercial entities, the Franchisor and the Franchisees.**

**The relationship between a Franchisor and a Franchisee is based and founded upon legal and financial independence. This principle constitutes a fundamental rule of franchising, applied internationally. It does not only constitute a practice of years for franchise networks all over the world, but is also met in different local laws for franchise in different countries.**

**Thus, the independence of the parties in a franchise contract means that the parties are different businesses, that they are responsible each of them for their liabilities of their own business, that they run their business in their own name, for their own account, undertaking their risk on their own.**

**Furthermore, due to the abovementioned absolute independence of the Franchisee as an entrepreneur, it is obvious that the Franchisee is not a consumer in his franchise relationship towards the Franchisor; therefore, any consumer protection law in any jurisdiction worldwide is not applicable to him.**

**Further to the above, one party in a franchise contract is not considered to be liable to those with whom the other party deals in any matter during his activity as an independent entrepreneur as for instance in labor law matters where the franchisor cannot be held liable for labor claims of Franchisee's employees, which employees have been employed by the franchisee, have signed employment contract with him, registered in all appropriate authorities under the franchisee's business name and have worked in his premises and have been paid by him.**

Resolution of the World Franchise Council Meeting  
 Berlin, April 14<sup>th</sup> 2011.

### **The World Franchise Council Country Members**

Argentina	Australia	Austria	Belgium	Brazil	Britain
Canada	China	Croatia	Czech	Denmark	Ecuador
Egypt	Finland	France	Germany	Greece	Guatemala
Hong Kong	Hungary	India	Indonesia	Italy	Japan
Korea	Lebanon	Malaysia	Mexico	Morocco	Netherlands
New Zealand	Philippines	Poland	Portugal	Russia	Singapore
Slovenia	South Africa	Sweden	Switzerland	Taiwan	Turkey
USA	Venezuela				