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FRANCHISING

Franchise Registration & Disclosure Law Overview

A franchisor must provide a prospective franchisee a Franchise Disclosure Document together with copies of all agreements (an FDD) before it can offer or sell a franchise. Some states require that the franchise offering be registered and approved by the state before making an offer or sale in that state.

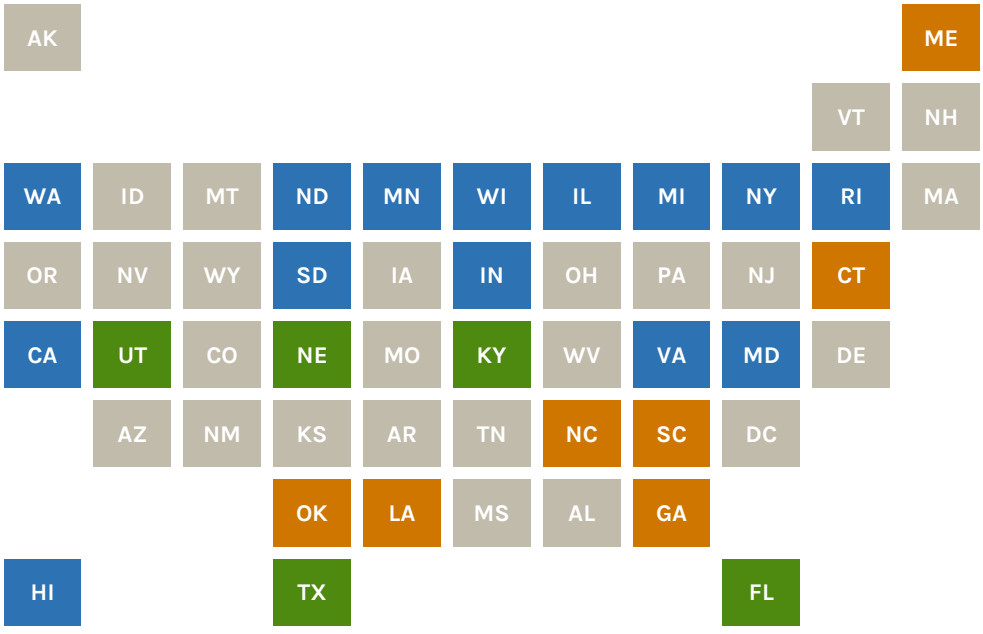
FEDERAL LAW

The offer and sale of franchises is governed by **federal franchise laws** that require the franchisor to provide to prospective franchisees a FDD at least 14 calendar days before the prospective franchisee signs any agreement or pays any consideration. This applies in all states.

STATE LAW

The offer and sale of franchises is also governed by **state franchise laws** and **state business opportunity laws** that require the franchise offering first be registered and approved by the state before marketing for franchisees in those states and before the FDD and agreements can be provided to prospective franchisees:

- A FDD will allow the franchisor to offer and sell franchises in 24 states (which do not have state franchise or business opportunity laws) without any registration or filing fees.
- 14 states have **state franchise laws** that require the franchise offering first be registered and approved by the state before offering or selling franchises in those states. Registration and filing fees required.
- 5 states have **state business opportunity laws** that require a simple notice of exemption filing before offering or selling franchises in those states. Filing fees required.
- 7 states have **state business opportunity laws** that require the FDD be modified based on the state business opportunity law and registration before offering or selling franchises in those states (registration and filing fees required), *unless* the franchisor has a federally registered trademark in which case the state business opportunity law does not apply.



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