

U N I D R O I T

INTERNATIONAL INSTITUTE FOR THE UNIFICATION OF PRIVATE LAW

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COMMITTEE OF GOVERNMENTAL EXPERTS FOR THE PREPARATION OF A MODEL
FRANCHISE DISCLOSURE LAW

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(Rome, 8 - 12 April 2002)

Comments submitted by the Republic of the Philippines

The provisions of the draft cover pre-contractual disclosure only and do not deal with the relationship between the parties, nor does it deal with the consequences of termination of the franchise agreement.

The model law further seeks to provide guidelines to member States that have predetermined the need for adoption of a pre-sale franchise disclosure law. The States are not mandated to strictly follow the provisions of the proposed law, as it is not compulsory. Further, the purpose of the said draft law is to provide the legislatures of the different States a “model” or guideline in enacting a law on franchising. As per the draft Explanatory Report, the Model Franchise Disclosure Law should be considered an example only, from which legislators may derive ideas/principles in writing laws which would benefit both the franchisor and the franchisee, without sacrificing the protection due either party under the applicable laws of the respective States.

There are many things that are required to be disclosed by the franchisor. The purpose of the disclosure document is to provide the prospective franchisee with information so as to permit him/her to make an informed decision as to whether to acquire the franchise. Some of the franchisors in the Philippines are foreignors (e.g. McDonald’s, Wendy’s, KFC), hence this model law can help and protect local entrepreneurs.

The franchising business in the Philippines is not yet popular despite the fact that it is good for small and medium enterprises, in the sense that the SMEs do not have to create and spend for the goodwill, and only a little capital is needed.

The Philippines interposes no objection to this model law.

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