

# Franchising

<b>INTRODUCTION</b>	1
Purpose and scope of paper	1
Historical background	1
Legal nature of franchising	2
<b>1. FUNDAMENTALS OF FRANCHISING</b>	3
What is a franchise?	3
<i>Franchise v territory</i>	3
<i>Franchise v agency</i>	3
<i>Franchise v distribution arrangement</i>	3
<i>Franchise v licence</i>	3
<i>Franchise v Co-operative</i>	4
Definitions relating to franchising	4
<i>Franchisor</i>	4
<i>Franchisee</i>	4
Franchise Association of New Zealand and the Code of Practice	7
<i>What does the code cover?</i>	8
<b>2. THE PRE-CONTRACTUAL PHASE</b>	10
Disclosure document	10
Procedure and selection of franchisees	10
<i>Price issues</i>	12
<i>Pre contractual misrepresentations</i>	13
<i>The statutory framework</i>	14
<i>The Fair Trading Act 1986</i>	14
<i>Misleading and deceptive conduct</i>	14
<i>False representations</i>	15
<i>Section 14</i>	16
<i>Home based businesses, business participants and investors</i>	16
<i>Contractual Remedies Act 1979</i>	16
<i>Contractual Mistakes Act 1977</i>	18
<i>The contract</i>	19
<i>Tort</i>	20
<i>Equity</i>	20
<i>Pre-contractual representations generally</i>	20
<i>Types of pre-contractual misrepresentation</i>	21
<i>Case examples</i>	22
<b>3. NATURE AND TERMS OF A FRANCHISE AGREEMENT</b>	31
Grant of franchise	33
Obligations of the franchisor and the franchisee	33
Term and renewal	33

Franchise fees, service or royalty payments, advertising levy	34
Rights of termination - contractual and other	35
Territorial restrictions	37
Governing law	38
<b>4. BREACH OF FRANCHISE AGREEMENTS</b>	40
Breach of obligations	40
Breach of territorial restrictions	41
Termination	41
"Good faith" and "relational" contracts – the <i>Dymocks</i> case	41
<i>The Dymocks' litigation</i>	42
<b>5. INTELLECTUAL PROPERTY AND RESTRAINT OF TRADE</b>	44
Trade marks, copyright and confidentiality	44
Commerce Act issues - exclusive supply, resale price maintenance	45
What restraints are reasonable?	46
<i>Case Examples</i>	47
<b>6. BREACH OF INTELLECTUAL PROPERTY AND RESTRAINT OF TRADE</b>	49
Breach of Intellectual Property	49
Breach of Restraint of Trade	49
<b>7. DISPUTE RESOLUTION</b>	51
Mediation	51
Arbitration	52
Litigation - pluses and minuses in practice	52
<b>8. INTERNATIONAL ASPECTS</b>	53
<b>APPENDICES</b>	54