

## Franchising in Estonia

### FRANCHISING IN ESTONIA

In Estonia franchising agreements are very briefly regulated in the Law of Obligations Act (in Estonian: *Võlaõiguseadus*), in force from 07, 2002.

Following is a short overview of the regulations set forth in the Law of Obligations Act as well as other relevant issues:

#### Definition of franchise contract

Pursuant to the Law of Obligations Act by a franchise contract, one person (the franchisor) undertakes to grant to another person (the franchisee) a set of rights and information which belongs to the franchisor for use in the economic or professional activities of the franchisee, including the right to the trade mark, commercial identifications and know-how of the franchisor.

#### Form of agreement

No mandatory form is prescribed in the law for franchise agreements, thus a franchise agreement may be entered into in any form. Considering Estonian legal practice written agreements are recommendable.

#### Obligations of franchisor

Pursuant to law of Obligations Act the franchisor is required to provide the franchisee with instructions for the exercise of the rights franchised and to provide permanent assistance related to the franchise.

#### Obligations of franchisee

A franchisee is required:

- in his activities, to use the commercial identifications of the franchisor;
- to ensure that the quality of the goods manufactured or services provided by the franchisee pursuant to the contract is the same as those manufactured or provided by the franchisor;
- to follow the instructions of the franchisor which are directed at the exercise of rights on the same bases and in the same manner as the franchisor;
- to provide clients with all additional services which they could expect upon acquiring goods or contracting for services from the franchisor.

#### Franchisor's right to review

A franchisor has the right to check the quality of the goods manufactured or services provided on the basis of a franchise contract by the franchisee.

#### Registration of franchising agreement

There are no mandatory requirements to register the franchising agreement.

## **Sub franchising**

Sub franchise agreements are not specially regulated by the Law of Obligations Act, thus, regulation of the franchise applies.

## **Non competition**

Not regulated by law.

## **Liability**

With regard to claims brought to franchisee as the manufacturer of the goods no joint liability with the franchisor is set forth in the law, thus the liability is borne solely by the franchisee.

## **Termination of franchising agreement**

Not regulated by law, thus general rules set forth in the Law of Obligations Act apply.

## **Renewal of franchising agreement**

Not regulated by law, thus subject to the agreement by the parties of the franchise agreement.

## **Death of franchiser or franchisee**

Not regulated by law.

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