

## **The Franchise in Ecuador**

### **THE FRANCHISE IN ECUADOR**

Ecuador has a territorial extension of 283,561km<sup>2</sup> with a population of more than 14 million people.

According to its constitution, Ecuador is a democratic republic. Its capital is Quito, which is house of the federal government.

Ecuador has the eighth biggest economy in South America, with a gross domestic product of 65,490 millions of dollars, inflation of 1.14% and an unemployment rate of 8%.

The franchise began to acquire relevance in 1997. Ecuador's market, in franchise terms, is mainly composed of domestic companies, being foreign companies the exception.

### **GOVERNING LAW**

There is no law that regulates the franchise in Ecuador; consequently the main source of obligations in a franchisor-franchisee relation is the franchise contract itself.

Ecuadorian legislation is very poor on the matter of Industrial/Intellectual property. The Industrial Property Law, as mentioned above, does not regulate the franchise, not even the license for using a trademark.

Nevertheless the Industrial Property Law, its decree and the decree of the Ecuadorian Institute of Industrial Property, regulate certain matters that are related to the franchise.

There is only a small reference of the license for using a trademark in article 220, which enounces a penalty consisting in the cancelation of the registration. (For not using the trademark three years before)

The Decree of the Ecuadorian Institute of Industrial Property, in article 100, establishes the obligation of inscribing the license or sub license contract. In order to do it, said inscription must be made in accordance with the principles contained in the Industrial Property Law and its Decree.

Article 103 of the Decree has importance significance, because it enounces that there is no need of legalizing documents coming from abroad in order to register the contract. A certification from the persons that have made said document will suffice.

Finally, we must mention that there is a franchise association in Ecuador named "Asociación Ecuatoriana de Franquicias". In their internet page there is a section for putting ads in order to obtain franchisees in Ecuador.

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