



Newsletter:

All legal aspects of franchising in Vietnam



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In Brief

Franchise is a business model that has been growing strongly in Vietnam, becoming an attractive trend not only for domestic investors but also for foreign businesses. However, in order to participate in this field effectively and safely, understanding the relevant legal regulations is a prerequisite. Vietnam's legal system has issued specific regulations to regulate franchising activities, protect the interests of both franchisors and franchisees, and promote the sustainable development of the market. This article will provide comprehensive legal information about franchising in Vietnam, helping individuals and businesses understand the process, rights, obligations and risks to be aware of when participating in this potential business model.

Key Takeaways

1. What is franchising?

A franchising is a business model in which one party owns a brand or business model (franchisor) that allows another person or organization (franchisee) to use the brand, products, business processes, and other related elements to do business under agreed terms. This is a popular form of trade cooperation, especially in industries such as food, retail, and services.

2. Regulations on franchising in Vietnam

According to **Article 284 of the Commercial Law 2005**, franchising is defined as a commercial activity in which:

- The franchisor permits and requests the franchisee to purchase and sell goods or provide services by itself in the manner prescribed by the franchisor.
- This business is associated with factors such as branding, trade names, business secrets, slogans, business symbols, or franchisor advertising.
- The franchisor has the right to control and assist the franchisee in running the business.

At the same time, the franchised business system must operate for at least one year before being allowed to franchise, according to the provisions of Article 5 of the Commercial Law and relevant decrees

3. Basic Structure of Franchise

The basic structure of franchising is a harmonious combination of three elements: **the franchisor**, **the franchisee**, and **the franchise contract**, each of which plays an irreplaceable role in this model.

The franchisor plays a key role in building the foundation for the franchise system. They are not only the owners of the brand, but also act as the developer, protector, and transmitter of the brand's core values. A strong brand, combined with standardized business processes, is the most important asset the franchisor provides to the partner. In addition, they also take on the responsibility of training, technical support, and supervision to ensure consistency throughout the entire system, from product to service. This not only helps maintain brand reputation but also strengthens competitiveness in the market.

The franchisor is the executor of the values and models that the franchisor builds. They are empowered to use their brand, operational processes, and related elements to grow their business. However, the franchisee is not merely a copyist, but must strictly comply with the standards set by the franchisor. The relationship between the two parties forms a circle of affiliation, where the success of a franchise store is not only an individual success, but also contributes to the collective strength of the entire system.

A franchise contract is an important legal tool that helps establish and maintain the relationship between the franchisor and the franchisee. It clearly stipulates the rights, responsibilities and obligations of both parties, from the scope of brand use rights, business model, to operating standards and franchise fees. This is the basis for ensuring transparency and fairness in the cooperative relationship, and helping to resolve potential disputes effectively. The role of the contract is to connect the interests between the two parties, while maintaining the necessary control of the franchisor to protect the core value of the system.

4. Why it is necessary to comply with the law when franchising in Vietnam

Legal compliance in franchising in Vietnam is a mandatory requirement to ensure legal, transparent, and efficient business operations. This helps protect the interests of both franchisors and franchisees, minimizing legal risks, especially related to contracts and intellectual property. At the same time, strictly complying with tax regulations and franchise registration not only creates trust for partners and customers but also builds brand reputation and promotes sustainable development. Compliance with the law helps businesses limit financial losses, handle disputes effectively and create conditions for the stable development of the franchise system in Vietnam.

Conclusion

If you do not comply with the law in franchising in Vietnam, you may face many serious consequences, including administrative sanctions, suspension of business activities, or declaration of invalidity of the franchise contract. In addition, issues related to intellectual property disputes, lack of protection of brand assets, and violations of tax obligations can cause large financial losses and adversely affect brand reputation. Non-compliance also reduces trust from partners and customers, hindering the long-term development of the franchise system in Vietnam.