



## Features Of The Franchise Agreement

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### ABSTRACT

The article analyzes the current state of the business environment, the issues of franchise use. The features of the franchise agreement are specified, conclusions are drawn that the stability of the market and difficulties in making a profit also negatively affect the conclusion of the franchise agreement.

### KEYWORDS

Franchising, economy, entrepreneurs, contract, law, profit.

### INTRODUCTION

In order to achieve the goals set for the state to achieve an effective market economy, it is necessary to improve the legislative framework governing economic mechanisms. One of the types of contracts for the implementation of business activities is a relatively new contract for the national legislation of the complex business license. This form of contract has many different names, known in the West as "franchise" or "franchising", in CIS countries it is called a commercial concession or franchising<sup>1</sup>, and

many scientists in the field of civil law have given it a name as a franchise. In Uzbekistan, according to article 862 of the Civil Code, this type of contract is defined as a contract of a comprehensive business license<sup>2</sup>.

Franchising is one of the few tools for business development that has long and effectively "worked" in the world, including in our country, where franchising is actively developing. In the context of an acute

<sup>1</sup> Bakhramova, M. (2020). Perspectives Of Development Of Arbitration Legislation And Law Enforcement Practice In Uzbekistan. European

Journal of Molecular & Clinical Medicine, 7(1), 3586-3593.

<sup>2</sup> Якубова И. Б. Право на жизнь-неотъемлемая часть личного неимущественного права //Вопросы современной юриспруденции. – 2016. – №. 12 (62).

shortage of financing for both the main and working capital of enterprises in Uzbekistan, it is franchising that allows you to create a fairly fast-growing business on fairly favorable terms for both the franchise company and the franchise purchasers.

One of the most effective tools for fairly rapid business development is currently franchising. Franchising is a method of organizing commercial activities in which one legal entity (individual entrepreneur or small commercial enterprise) agrees with another legal entity-a company that sells a franchise, that this entrepreneur (or company) will conduct its commercial activities under the name of such a company or under its brand<sup>3</sup>.

The prototype of the modern franchise system is considered by some to be the system of sales and service of Singer sewing machines, while others – German brewers, who began to provide franchises to drinking establishments<sup>4</sup>. The author of franchising in the most modern form is considered R. Kroc, who in 1955 founded the company McDonald's System, Inc. - the most famous franchise company in the world today.

In the context of the transformation of the economy of Uzbekistan, franchising is a safe form of entrepreneurship for small and micro businesses. The main advantages of such a business model for the franchisee (the one who buys the franchise): – a well-established mechanism of work – proven production and management technologies-risk reduction, as the partner becomes part of a global network; - access to the knowledge base formed on the basis of many years of experience; - support and support at all stages of development; -

<sup>3</sup> Хужаев, Ш. А. “Дальнейшее реформирование деятельности административных судов в Республике Узбекистан.” Правовые и нравственные аспекты функционирования гражданского общества. 2020.

<sup>4</sup> Юлдашов А., Чориев М. Договорно-правовые отношения в области авторского права и ответственности за нарушение авторского права: национальный и зарубежный опыт //Общество и инновации. – 2020. – Т. 1. – №. 1/с. – С. 511-522.

the ability to scale-access to new markets and regions. In many countries, franchising is a successful business model. The USA, France, Great Britain, Germany, Spain, and Italy are the leaders of the world franchising<sup>5</sup>.

In the course of the research, it was revealed that currently there are operating franchises in Uzbekistan, such as well-known hotel brands such as Intercontinental, Radisson, Hyatt, etc. There are also branded clothing such as Adidas, Giovanni Gentile, MEXX, Tommy Hilfiger, Morgan. The oldest and first franchises present in the Uzbek market are the trademarks "1C: Accounting", the Paynet system, the world-famous "CocaCola". The Lukoil gas station network is also represented in the Uzbek market.

In Tajikistan, the situation is similar to the experience of Central Asian countries —the franchise business format is not so developed. Currently, Burger King, Auchan, MEXX, CocaCola and other franchises operate in Tajikistan. Most large foreign networks are opened by large investment companies or with the support of the state. In Kazakhstan, there are many international franchise networks in a fairly wide range. Even McDonalds opened in Kazakhstan in March 2016, and plans to open 15 more restaurants in the coming years. Companies often start expanding from Kazakhstan because of the quick payback (CocaCola, Burger King, Adidas, KFC, Marriott, Intercontinental, etc.)<sup>6</sup>.

Some entrepreneurs note that Central Asia is not able to accept expensive franchises. The franchise price should be in the limit of 2 million US dollars, despite the fact that the partner in Central Asia, as a rule, pays the franchisor only 7% of the annual income. Thus, local entrepreneurs will not be able to meet

<sup>5</sup> Yuldashov, A. A. Government policies related to social protection of disabled persons in Uzbekistan: national and international aspects.

<sup>6</sup> Khujayev, S. A. (2018). Judgments under the law of the Republic of Uzbekistan «On banks and bank activity» in the new edition. International Journal of Legal Studies (IJOLS), 4(2), 295-301.

the tough conditions of major global players, such as McDonald's, which imposes a number of requirements on its franchisees. For example, McDonalds, a franchisee within 5 years should build 15 restaurants with a turnover of 1.5 million. In addition, all products must be exported from the United States, which means that not all individuals can invest in large projects<sup>7</sup>.

Article 864 Civil code of the Republic of Uzbekistan, the Contract the complex entrepreneurial license may provide a right of the licensee to allow the use granted him the license of the complex or part thereof to other persons on terms agreed them with the licensor or defined in the agreement a comprehensive entrepreneurial license. Similarly, the contract may contain the obligation of the licensee to issue a certain number of sub-licenses within a certain period of time, with or without specifying the territory of their use.

According to the legislation of the Republic of Uzbekistan, the main obligation of the agreement is the obligation to grant the "complex licensor" to the "complex licensee" a set of exclusive rights to use intellectual property objects, which allows us to consider this agreement as a type of license agreements. However, it should be noted that the relations arising in the implementation of this agreement are not regulated by the general legislation on licensing, in accordance with article 2 of the Law of the Republic of Uzbekistan "On Licensing of certain types of activities"<sup>8</sup>.

<sup>7</sup> Yakubova, I. (2018). Civil-law protection of honor, dignity and business reputation in the civil legislation of Uzbekistan and Japan. Review of law sciences, (3).

<sup>8</sup> Бобур Мукумов (2020). Оценка регулирующего воздействия нормативно-правовых актов на предпринимательскую деятельность в условиях пандемии коронавируса (на примере Торгово-промышленной палаты Республики Узбекистан). Review of law sciences, (2), 74-77. doi: 10.24412/2181-1148-2020-2-74-77; Рахмонова Мохичехра. Усовершенствование механизма

Local enterprises established before the conclusion of a comprehensive business license agreement retain their organizational and legal form. The enterprise created as a result of the conclusion of the contract the complex entrepreneurial license, registered in accordance with the law of the host country, in accordance with the legal procedures selected by the shareholders of the new company legal form. In the case of a comprehensive business license agreement, the parties maintain their financial independence, have separate bank accounts and their own balance sheets, and independently ensure the submission of accounting and statistical reports in accordance with the established procedure.

In our opinion, it is necessary to simplify the procedure for obtaining a license in the franchise agreement. Many foreign investors are not confident in the development of their business precisely because of the large percentage of VAT and the difficult way to obtain a license in the territory of the Republic of Uzbekistan. In general, franchising can be defined as a form of entrepreneurial activity based on a system of relationships, with the exception of- fixed a number of agreements, which consists in providing paid by one party (an organization that has, as a rule, pronounced the image and high reputation in the market of goods and services) to another party (the organization or individual entrepreneur) of its means of individualization of manufactured goods, works or services (the trademark or service mark, corporate identity), technology, business, and other business information that the other party will promote growth and reliable fixing in the market of goods and services.

According to the position of scientists, the concepts of "franchising" and "franchise" are

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equivalent, equivalent to the name" commercial concession " in civil law<sup>9</sup>. The franchise agreement strictly regulates the sales technology, the range of services and goods, and clear rules for the use of the manufacturer's trademark. If the franchisee purchases commercial equipment from the manufacturer, the franchisor provides financial support, provides advertising technologies, and trains employees.

Thus, the stability of the market and difficulties in making a profit also negatively affect the conclusion of a franchise agreement. Therefore, it is important to create a good investment environment, as well as legal guarantees.

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