

Franchising in Mexico

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Franchise Regulation

The existing franchising legal framework in Mexico is set forth in the Industrial Property Law (IPL) and the Regulations to the IPL. Under the Regulations, the franchisor is required to disclose to the potential franchisee documentation relating to its business, commonly known as "Franchise Offering Notice," at least 30 days prior to entering into a franchise agreement. The Franchise Offering Notice should include technical, economic and financial information, as well as the franchisor's and franchisee's rights and obligations under the franchise agreement.

The statutory regulations relating specifically to franchising are very limited in Mexico. Consequently, franchisors and franchisees are permitted to establish rules governing their relationship primarily through the franchise agreement. In an effort to promote franchising in Mexico, the Mexican Franchise Association together with the Mexican Association of Certified Quality developed and issued the "Mexican Franchise Standard." While compliance is voluntary, the Mexican Franchise Standard provides a series of valuable requirements for franchises, including the legal, operating and administrative, marketing, financial, and strategic requirements. The standards and requirements developed by the Mexican Franchise Standard have been fundamental in the development of the franchising industry in Mexico.

Intellectual Property Protection

Franchises in Mexico benefit from intellectual law protections offered by the IPL and its corresponding Regulation. The license for the use of the trademark, related to the products or services of the franchise, must be registered at the Mexican Institute of Industrial Property (IMPI) in order for it to be effective against third parties. The license application may be filed by any of the parties, and unless otherwise agreed, the licensee/franchisee will have the authority to exercise the legal actions to protect and defend the trademark rights. A trademark registration is valid for ten years and may be renewed for additional ten year periods. The registration with the IMPI only protects trademarks in Mexico.

Mexico is a member of certain international intellectual property conventions and recognizes priority date filings of registrations in other countries.

Other

Another significant factor impacting the growth and franchising opportunities in Mexico is the National Franchise Program (Programa Nacional de Franquicias). Specifically, the Ministry of Economy established a fund that, for several consecutive years, has been supporting acquisitions of franchises in Mexico. Among other incentives, the National Franchise Program grants 36 months' credit to potential purchasers at 0% interest rate, which can be used to cover up to 50% of the startup cost (subject to applicable limits). In order to qualify, an acquired franchise must be included in the Ministry's "Certified Franchises Catalog." The investor can request to have a franchise certified and included in the Certified Franchises Catalog, to be eligible for this federal credit.

Contact us if you'd like assistance with your international franchising initiatives. We can discuss the challenges, identify the obstacles, and lead you to solutions for expanding your franchise internationally.

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