



## **Franchise Business Regulation in Thailand: Ensuring Fair Competition**

In Thailand, franchise business activities are regulated by the Trade Competition Commission, falling under the purview of the Trade Competition Act A.D. 2017 (B.E. 2560) (“Trade Competition Act”). This legislation aims to prevent monopolistic practices and ensure fair competition in the market. Specifically, Section 57 of the Trade Competition Act outlines provisions to prevent business operators from engaging in practices that may harm other businesses.

According to the Trade Competition Commission Notification Re Guideline for the Consideration of Unfair Trade Practices of Franchise Business (“Notification”), a franchise is defined as a business relationship between a franchisor and a franchisee. It involves a written contract where the franchisee operates a business using the format, system, procedures, and intellectual property rights of the franchisor for a specified period or area, in exchange for remuneration.

The Notification also stipulates that a franchisor must disclose various details of a franchise contract to franchisee, including information on remuneration, business expenses, franchise business plan, and intellectual property rights. Additionally, the franchisor must adhere to guidelines when expanding its franchise operations, ensuring fairness and preventing harm to the franchisee in nearby areas.

One key aspect of the regulation is the requirement for the franchisor to offer the right to open a new branch to existing franchisees in the closest area first, before considering other options. This is the case unless the original franchisee fails to meet specified criteria, in which case the franchisor must provide a clear explanation and issue a minimum 30-day notice period to the franchisee to rectify failure.

The Notification also sets out guidelines for franchisors to avoid practices that may harm franchisees, such as imposing unjustified conditions, restricting the purchase of goods or services from other vendors, or setting unfair conditions for specific franchisees.

To determine what constitutes "appropriate justification" for certain actions, the Notification provides criteria, including a requirement that an action must be acceptable for legitimate reasons related to economic, business, or marketing activities, and must not have been done before or be considered normal business practice. Additionally, any conditions not specified in writing and not notified to a contractual partner within a reasonable time are deemed unacceptable.

In conclusion, the regulation of franchise businesses in Thailand aims to promote fair competition and protect franchisees from unfair practices. Franchisors are advised to adhere to the guidelines and clearly specify the justification for their actions in franchise agreements to avoid breaching the Trade Competition Act.

Should you have any question, please do not hesitate to contact us via [info@bgloballaw.com](mailto:info@bgloballaw.com)

