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### Franchising Fact Sheet - Germany (2012, July)

1. How is franchising defined under national law?	Franchising is defined as a contract type, in which a franchisor gives to one or more franchisees a bundle of services or rights. Hereby the franchisee is authorized to sell certain goods or services. The franchisee owes a fee (franchise fee) and certain rules of conduct, which should ensure the unity and cohesion of the whole system of dealer contracts. The franchise agreement is continuing obligation and a framework contract with mixed elements of lease, sale and agency.
2. Are there any pre-contract disclosure requirements?	The contract negotiations establish a pre-contract bond of trust, by which the parties are committed to disclose all the relevant information for the cooperation. In particular the franchisor has to disclose for example the information concerning the figures of similar holdings, the labor supply, the capital use and the success prospects of the marketing concept. In case of breach the parties have to pay damages.
3. Does the franchisor have any liability for claims against the franchisee?	The liability of the franchisee in relation to the customer results from the contract. The liability of the franchisor in relation to the customer can result from §§ 823, 831 German Civil Code (Bürgerliches Gesetzbuch).
4. When can the franchisor terminate the franchise agreement?	The franchise agreement ends by lapse of time, extraordinary dismissal or proper notice of termination (according to the contract).
5. Are any particular formalities required for a franchise agreement to be legally valid and enforceable under national law?	No.
6. Does a foreign franchisor have to establish a subsidiary or branch in the country?	A foreign franchisor may but does not have to establish a subsidiary or branch in Germany.
7. Are there any other relevant requirements/provisions?	In case of a franchise agreement with a foreign franchisor the franchise agreement should contain a regulation concerning the applicable law.

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