

SENATE BILL REPORT

SB 5539

AS OF FEBRUARY 17, 1993

Brief Description: Increasing protection of franchisees.

SPONSORS: Senator A. Smith

SENATE COMMITTEE ON LAW & JUSTICE

Staff: Tom Fender (786-7414)

Hearing Dates: February 18, 1993

BACKGROUND:

Enforcement actions initiated by the Department of Licensing indicate that recent U.S. immigrants may have been exploited in franchise agreements due to their lack of English language skills and understanding of their contract responsibilities. In some cases, the franchise agreement has been considered by the Attorney General to be a subterfuge to avoid employer responsibilities for the performance of low skill service occupations.

Further, the general provisions of existing franchise law do not provide for a classification system based on the complexity of franchisee responsibilities. Accordingly, there may exist a profound disparity in the business acumen of potential franchisees based on the nature of the franchise service to be performed. In this regard, the department believes additional rule-making authority would be appropriate to assure a relative level of bargaining ability upon entering into these agreements.

SUMMARY:

The Department of Licensing is granted additional authority to prescribe different classes of franchise agreements. In the case of franchisee exploitation due to lack of education, business experience and language skills, the court is granted the authority to grant rescission of these agreements.

Appropriation: none

Revenue: none

Fiscal Note: requested