

# FRANCHISE BUSINESS PROMOTION ACT

---

Act No. 8761, Dec. 21, 2007  
Amended by Act No. 8852, Feb. 29, 2008  
Act No. 9495, Mar. 18, 2009

## Article 1 (Purpose)

The purpose of this Act is to contribute to the sound growth of the national economy by providing for matters necessary for the promotion of franchise business, establishing the foundation for the development of franchise business, and strengthening the competitiveness of franchise business.

## Article 2 (Definitions)

As used in this Act:

1. The term "franchise business" means a continuous business relationship with which a franchise headquarters allows its franchisees to use its own trade mark, service mark, trade name, emblem, or any other business mark (hereinafter referred to as "business mark") and sell a commodity (including raw materials and supplementary materials) or a service in conformity with certain quality standards or a certain business method, provides them with support and education for business management and business activities, and controls their business operations, and franchisees pay money to the franchise headquarters in return;
2. The term "franchise headquarters" means a business operator who grants franchisees a license to run a franchise business;
3. The term "franchisee" means a business operator who holds a license granted by franchise headquarters to run a franchise business under his/her responsibility and on his/her own account;
4. The term "franchise business operators" means franchise headquarters and their franchisees.

## Article 3 (Relations to other Acts)

Supporting and fostering franchise business shall be governed by provisions of this Act, except as explicitly provided for by any other Act.

## Article 4 (Basic Plan)

- (1) In order to promote franchise business, the Minister of Knowledge Economy shall establish a basic plan for the promotion of franchise business (hereinafter referred to as "basic plan") every five years, subject to prior consultation with heads of competent central administrative agencies. <Amended by Act No. 8852, Feb. 29, 2008>
- (2) A basic plan shall contain the following matters:
  1. The basic direction of the promotion of franchise business;
  2. Matters concerning the system for the promotion of franchise business;
  3. Matters concerning the strategy for the development of franchise business by sectors;
  4. Matters concerning the establishment of the foundation for the development of franchise business;
  5. A scheme for the structural improvement of franchise business and strengthening competitiveness;
  6. Other matters necessary for the promotion of franchise business.

## Article 5 (Implementation Plans)

- (1) In order to implement a basic plan, the Minister of Knowledge Economy shall establish an implementation plan for the promotion of franchise business (hereinafter referred to as "implementation plan") each year, subject to prior consultation with heads of competent central administrative agencies. <Amended by Act No. 8852, Feb. 29, 2008>
- (2) The Minister of Knowledge Economy and heads of competent central administrative agencies shall each carry out the activities under their control among the activities included in an implementation plan and shall endeavor to secure financial resources required for such activities. <Amended by Act No. 8852, Feb. 29, 2008>
- (3) The heads of competent central administrative agencies may each request the Special Metropolitan City Mayor, a Metropolitan City Mayor, a Do Governor, or the Governor of a Special Self-Governing Province to take measures required for carrying out an implementation plan, if necessary for the promotion of franchise business.

## Article 6 (Cooperation of Heads of Competent Central Administrative Agencies)

The Minister of Knowledge Economy may, if necessary for establishing and carrying out a basic plan

and an implementation plan, request the head of any competent central administrative agency or local government to cooperate with him/her. In such cases, the head of a competent central administrative agency or local government shall, upon receiving such request for cooperation, comply with the request, unless there is any exceptional circumstance to the contrary. <Amended by Act No. 8852, Feb. 29, 2008>

#### **Article 7 (Survey on Actual State)**

(1) In order to establish and promote a basic plan and the implementation plan thereunder in an efficient way, the Minister of Knowledge Economy may conduct a survey on the actual state of franchise business. <Amended by Act No. 8852, Feb. 29, 2008>

(2) The Minister of Knowledge Economy may request the head of any competent central administrative agency or local government or the head of any public agency under the Act on the Management of Public Agencies (hereinafter referred to as "public agency") to furnish him/her with relevant materials. In such cases, the head of a competent central administrative agency, local government, or public agency shall, upon receiving such request for relevant materials, comply with the request, unless there is any exceptional circumstance to the contrary. <Amended by Act No. 8852, Feb. 29, 2008>

(3) Necessary matters, such as the scope and method of surveys on actual state under paragraph (1), shall be prescribed by Presidential Decree.

#### **Article 8 Deleted. <by Act No. 9495, Mar. 18, 2009>**

#### **Article 9 (Development of Efficient Logistics System and Facilitation of Informatization for Franchise Business)**

The Government may promote the following projects to develop an efficient logistics system for franchise business and facilitate informatization thereof:

1. The expansion of joint logistics facilities for the storage, delivery, and packing of raw materials, supplementary materials, and commodities;
2. The establishment of a database and an information system concerning the current status and logistics facilities for franchise business;
3. The development and extension of a point-of-sale system;
4. The development and extension of an information management system for efficient store management;
5. Other projects deemed necessary for developing an efficient logistics system and facilitating informatization for franchise business.

#### **Article 10 (Improvement of Expertise of Franchise Business Operators)**

The Government may promote the following projects to improve the expertise of franchise business operators:

1. The education and training of persons engaged in franchise business to improve their qualities;
2. Cultivating professional human resources for franchise business;
3. Other projects deemed necessary for improving the expertise of franchise business operators.

#### **Article 11 (Project for Development of Technology)**

(1) The Government may promote the following projects for the development of technology for franchise business:

1. The development of technology for the manufacturing and management of commodities related to franchise business;
2. The development of designs of business marks.

(2) The Government may take measures necessary for supplying information for the development of technology for franchise business.

#### **Article 12 (Protection of Industrial Property)**

(1) The Government shall prepare a policy on the protection of industrial property of franchise business.

(2) The Government may promote the following projects to protect industrial property of franchise business:

1. Technical protection for commodities and business marks of franchise business;
2. The encouragement of labeling information about management of rights, such as information for discerning right-holders of franchise business;
3. The establishment of a database and an information system for the protection of industrial property of franchise business;
4. Educational and public relations activities for industrial property of franchise business;
5. Other projects deemed necessary for the protection of industrial property of franchise business.

#### **Article 13 (Assistance in Business Startups)**

(1) The Government may provide any person who intends to start up a franchise business (hereinafter referred to as "franchise starter") with assistance as may be necessary to encourage starting up franchise business.

(2) The Government shall prepare a policy necessary for providing franchise starters with information

about funds, human resources, technology, markets, business locations, etc. necessary for the business startup and the growth and development of franchise business.

(3) The Government may request the head of any central administrative agency, local government, or public agency to furnish it with materials necessary for supplying the information under paragraph (2).

#### **Article 14 (Supply of Information Necessary for Business Conversion)**

(1) The Government may promote measures necessary for providing small and medium business operators (referring to small and medium business operators defined in [Article 2 of the Framework Act on Small and Medium Enterprises](#); the same shall apply hereinafter) who promote to convert their business into a franchise business and franchise business operators who promote to convert their business into another franchise business with information necessary for such business conversion, such as technology, markets, and types of business into which they intend to enter.

(2) The Government may provide small and medium business operators and franchise business operators under paragraph (1) with assistance in improving business management, technology, finance, accounting, etc.

#### **Article 15 (Activities for Promotion of Franchise Business)**

The Minister of Knowledge Economy may promote the following projects in order to raise citizens' awareness of franchise business and facilitate business startups: <Amended by Act No. 8852, Feb. 29, 2008>

1. Finding, and rewarding for, successful cases of business startups with a creative idea and outstanding commodities and services;
2. Holding business startup exhibitions and fairs of outstanding commodities and services;
3. Holding other events relating to business startups and promotion of franchise business.

#### **Article 16 (Facilitation of Internationalization of Franchise Business)**

The Government may promote the following projects in order to facilitate the internationalization of franchise business:

1. International exchanges of information, technology, and human resources for franchise business;
2. Holding international academic conventions, international exhibitions, or the like for franchise business;
3. Conducting research and analysis on overseas franchise business markets and supplying collected information in a systematic way;
4. Providing consulting services to franchise headquarters for entering into overseas markets;
5. Other projects deemed necessary for internationalization of franchise business.

#### **Article 17 (Financial Support)**

The Government may provide financial support for the following activities:

1. The startup of new franchise business or the commercialization of ideas by any franchise business starters;
2. The development of business environment that small and medium business operators need for converting their business into franchise business and the improvement of facilities for such a purpose;
3. The informatization and development of technology for franchise headquarters that registered their written statement of information disclosure with the Fair Trade Commission in accordance with Article 6-2 of the Fair Transactions in Franchise Business Act (hereafter referred to as "franchise headquarters with their written statement of information disclosure registered" in this Article) and their franchisees;
4. The development of overseas markets for franchise headquarters with their written statement of information disclosure registered;
5. Other activities specified by Presidential Decree as deemed necessary for facilitating the structural improvement of franchise business.

#### **Article 18 (Entrustment of Business Affairs)**

(1) The business affairs under the control of the Minister of Knowledge Economy among the following business affairs under this Act may be entrusted to a legal entity or an organization specified by Presidential Decree, as prescribed by Presidential Decree: <Amended by Act No. 8852, Feb. 29, 2008>

1. Business affairs relating to the development of an efficient logistics system for franchise business and the facilitation of informatization therefor under [Article 9](#);
2. Business affairs relating to the education and training and the fostering of professional human resources under [Article 10](#);
3. Business affairs relating to activities for promotion for franchise business under [Article 15](#);
4. Business affairs relating to the facilitation of internationalization of franchise business under [Article 16](#).

(2) The Minister of Knowledge Economy may provide a legal entity or an organization to whom business affairs have been entrusted pursuant to paragraph (1) with support necessary to enable the legal entity or organization to carry out the business affairs efficiently.

**ADDENDUM**

This Act shall enter into force six months after the date of its promulgation.

**ADDENDA <Act No. 8852, Feb. 29, 2008>**

**Article 1 (Enforcement Date)**

This Act shall enter into force on the date of its promulgation. (Proviso Omitted.)

**Articles 2 through 7 Omitted.**

**ADDENDUM <Act No. 9495, Mar. 18, 2009>**

This Act shall enter into force six months after the date of its promulgation.

---