

Franchise 2026

A practical cross-border resource to inform legal minds

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Introductory Chapter

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Industry Chapters

- Franchising at a Global Crossroads

 Matthew Haller, International Franchise Association (IFA)
- Franchising in the UK Today: Ethics, Standards and a £19.1bn Success Story Pip Wilkins QFP, BFA (British Franchise Association)

Q&A Chapters

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 Robert Toth, Sanicki Lawyers
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 Sonja Laamanen, HH Partners, Attorneys-at-Law
- France
 Cecile Peskine & Clémence Casanova, Linkea-Avocats
- 64 Greece Eleni Lappa, IPWORK
- 70 Ireland Alan Raftery, John Lane & Bill Holohan, Holohan Lane LLP
- 79 Italy
 Luigi Fontanesi, Camilla Di Fonzo &
 Cecilia Caterina di Prisco, Greenberg Traurig Milan
- Korea
 Sean Hayes, Jiwon Min & Mina Kim, IPG Legal
- 96 Malaysia Adhuna Kamarul Ariffin & Azra Athirah, Bustaman

- Netherlands
 Martine de Koning, Jelle Blom, Tosca Bokhove &
 Joachim Niemeijer, Kennedy Van der Laan
- Nigeria
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1 Relevant Legislation and Rules Governing Franchise Transactions

1.1 What is the legal definition of a franchise?

While there are no specific regulations governing franchising in Thailand, the Ministry of Commerce regularly announces plans to commence drafting regulations, such as the Franchising Business Act. It is widely considered that Thailand may follow the China model as set out in the 2005 PRC Ministry of Commerce's Administrative Measures on Commercial Franchising and the subsequent 2007 Franchise Regulations. An important point to watch here will be whether Thailand follows the China model by requiring a franchisor to prove the viability of its business model by showing a track record of profitability at two or more outlets before selling a franchise contract to a franchisee.

Towards the end of December 2016, the Council of Ministers returned the draft Franchising Business Act to the legislators for further amendments over policy issues. At the time of writing, the act's first reading by the National Assembly has yet to be scheduled, and its promulgation is apparently not among the current government's priorities.

In October 2019, the Office of the Trade Competition Commission (TCC) issued the Notification on the Guidelines for the Consideration of Unfair Trade Practices in Franchise Businesses (Franchising Guidelines) pursuant to the Trade Competition Act B.E. 2560 (2017), which was subsequently published in the *Government Gazette* in December 2019. These guidelines were amended on August 11, 2020, and July 13, 2021.

According to the Franchising Guidelines, a "franchise" is a business operation in which an entity known as the "franchisor" enters into a written agreement for another entity known as the "franchisee" to operate a business using the former's models, systems, procedures and intellectual property rights, or those that the former is permitted to license to others to operate a business within a specific timeframe and/or location. The franchise is promoted and controlled in line with the franchisor's business strategies and the franchisee is obliged to pay consideration to the franchisor.

1.2 What laws regulate the offer and sale of franchises?

No specific legislation offers a comprehensive guide to franchising in general. Instead, a franchise agreement in Thailand will generally need to conform to the following laws:

- Civil and Commercial Code.
- Trademark Act B.E. 2534 (1991), as amended by Trademark Act (No. 2) B.E. 2543 (2000) and Trademark Act (No. 3) B.E. 2559 (2016).
- Patent Act B.E. 2522 (1979), as amended by Patent Act (No. 2) B.E. 2535 (1992) and Patent Act (No. 3) B.E. 2542 (1999)
- Copyright Act B.E. 2537 (1994), as amended by Copyright Act (No. 2) B.E. 2558 (2015) and Copyright Act (No. 3) B.E. 2558 (2015).
- Trade Secrets Act B.E. 2545 (2002), as amended by Trade Secrets Act (No. 2) B.E. 2558 (2015).
- Unfair Contract Terms Act B.E. 2540 (1997).
- Trade Competition Act B.E. 2560 (2017).
- Act Relating to Price of Merchandise and Service B.E. 2542 (1999).
- Revenue Code B.E. 2481 (1938).

Each act cited above is implemented by a set of ministerial regulations, and they each touch on only a few basic aspects of franchise arrangements. The parties must therefore negotiate most of the terms of a given agreement. A deal between parties of equal bargaining power will generally not be disturbed by the Thai courts unless there is a clear public policy reason to do so.

1.3 If a franchisor is proposing to appoint only one franchisee/licensee in your jurisdiction, will this person be treated as a "franchisee" for purposes of any franchise disclosure or registration laws?

We do not have any franchise disclosure requirement nor registration laws, and one can be treated as a "franchisee" regardless of whether the franchisor is proposing to appoint only one franchisee/licensee or more.

1.4 Are there any registration requirements relating to the franchise system?

Thailand does not currently have any specific legislation regulating franchise agreements. Therefore there are no franchise disclosure requirements, governmental approval requirements, or registration or other filing requirements.

1.5 Are there mandatory pre-sale disclosure obligations?

The Franchising Guidelines define "franchise", "franchisor"

and "franchisee", and introduce precontractual disclosure requirements. Specifically, franchisors (Thai franchisors and master franchisees of foreign franchisors) in Thailand are now required to disclose information on the below points in a disclosure document or letter to prospective franchisees before entering into agreements:

- applicable payments and expenses relating to the franchise, such as franchise fees, royalties, marketing expenses, training costs, costs of mandatory equipment and materials (as well as their calculation methods), payment details and conditions for reimbursement;
- business model of the franchise, including matters relating to assistance, training and advisory services to be provided by the franchisor, as well as information on existing and future branches operated by other franchisees in the vicinity, and information on sales and promotion;
- intellectual property rights, such as trademarks, patents and copyright, including their respective terms of protection, and their licensing scope and restrictions; and
- renewal, amendment, cancellation and termination of the franchise agreement.

1.6 Do pre-sale disclosure obligations apply to sales to sub-franchisees? Who is required to make the necessary disclosures?

Notably, the Franchise Guidelines impose precontractual disclosure requirements on Thai franchisors and master franchisees of foreign franchisors, specifying that franchisors must provide details on matters concerning franchise fee payments, intellectual property rights, renewal and termination terms, and the model of the franchising system in a disclosure document or letter to the franchisee, before entering into a franchise agreement.

1.7 Is the format of disclosures prescribed by law or other regulation, and how often must disclosures be updated? Is there an obligation to make continuing disclosure to existing franchisees?

There is currently no prescribed format or timeline for disclosure.

1.8 What are the consequences of not complying with mandatory pre-sale disclosure obligations?

Non-compliance may result in a violation of Section 57 of the Trade Competition Act, which results in an administrative fine at a rate not exceeding 10% of the income in the year of the offence. In the case of an offence committed in the first year of business, an administrative fine will not be more than THB 1 million.

1.9 Are there any other requirements that must be met before a franchise may be offered or sold?

Empowered under the Trade Competition Act B.E. 2560 (2017), the Office of the TCC of Thailand issued its Franchise Guidelines, which is aimed at preventing franchisors from adopting overly restrictive and unfair contractual conditions that could cause damage to franchisees.

1.10 Is membership of any national franchise association mandatory or commercially advisable?

This is not applicable in Thailand.

1.11 Does membership of a national franchise association impose any additional obligations on franchisors?

This is not applicable in Thailand.

1.12 Is there a requirement for franchise documents or disclosure documents to be translated into the local language?

There are no requirements for franchise agreements to be in Thai. However, IP licence agreements that are part of the franchise agreements will require recordals with the Thai Department of Intellectual Property (DIP), and those are required to be translated into the Thai language.

2 Business Organisations Through Which a Franchised Business Can be Carried On

2.1 Are there any foreign investment laws that impose restrictions on non-nationals in respect of the ownership or control of a business in your jurisdiction?

Foreigners are generally permitted to start businesses in Thailand, subject to the Foreign Business Act B.E. 2542 (1999) (FBA). The FBA restricts the types of business that may be conducted by foreigners and sets licensing requirements for other types of businesses.

However, Thailand has several foreign investment schemes that operate as exceptions to the FBA. The most notable of these are administered by the Board of Investment (BOI) and the Industrial Estate Authority of Thailand (IEAT). Several free trade agreements also permit certain types of businesses to be undertaken by foreigners.

2.2 What forms of business entity are typically used by franchisors?

Generally, there are no specific reasons for an overseas franchisor to use a separate entity to enter into a franchise agreement with a franchisee in Thailand. However, some foreign franchisors may require a Thai franchisee to set up a new business purely for the operation of the franchised business. This is likely to occur if due diligence reveals unacceptable issues in the existing business, for example, if the franchisee cannot import Food and Drug Administration-regulated goods.

2.3 Are there any registration requirements or other formalities applicable to a new business entity as a pre-condition to being able to trade in your jurisdiction?

Registration or possession of a licence could be a pre-condition to being able to trade specific goods such as food or cosmetics products. However, generally speaking, there is no registration requirement for entering into a franchise business.

3 Competition Law

3.1 Provide an overview of the competition laws that apply to the offer and sale of franchises.

There are several acts that regulate trade competition and fair pricing in Thailand. The primary acts are the Trade Competition Act B.E. 2560 (2017), the Act Governing Prices of Goods and Services B.E. 2542 (1999) and the Act Countering Market Dumping and Subsidy of Goods from Abroad B.E. 2542 (1999).

3.2 Is there a maximum permitted term for a franchise agreement?

No, there is not.

3.3 Is there a maximum permitted term for any related product supply agreement?

No, there is not.

3.4 Are there restrictions on the ability of the franchisor to impose minimum resale prices?

Franchisors imposing minimum resale prices could fall under the notion of unfair contract terms, which violates the Trade Competition Act.

3.5 Encroachment — are there any minimum obligations that a franchisor must observe when offering franchises in adjoining territories?

There is an obligation for a franchisee whose franchise location is in proximity to the location of a new franchise to be offered the right to operate the new franchise, before offering the same to any third parties.

3.6 Are in-term and post-term non-compete and non-solicitation of customers covenants enforceable?

Yes, in-term and post-term non-compete and non-solicitation of customers covenants are enforceable so long as they are not excessive and do not put much burden on the other party.

3.7 Are there any restrictions on franchisees being granted exclusive territories?

There are currently no restrictions on francisees in Thailand being granted exclusive territories, as long as the arrangement does not result in anti-competitive effects, such as market monopolisation or unreasonable restraint of trade. The Trade Competition Act prohibits agreements that unfairly restrict competition, but reasonable territorial exclusivity in a franchise context is generally acceptable.

4 Protecting the Brand and Other Intellectual Property

4.1 How are trade marks protected?

Very often, one of the most important components of the franchise is the trademark portfolio of the franchisor. Trademarks and branding are always associated with the notion of quality control and serve as an indicator to the consuming public that goods or services bearing a particular trademark will have a consistent level of quality, no matter when or where the goods and services are purchased.

Protection of trademarks is through registration. The rights to a trademark application or registered trademark are transferable and inheritable. The proprietor of a registered trademark may grant a licence to other persons to use it for any or all of the goods for which it was registered.

The use of the registered trademark or service mark by the franchisee or licensee, if recorded with the Trademark Office Registrar of the Department of Intellectual Property as required under the Trademark Act, will be deemed as use of the mark by the franchisor or licensor, which can be raised as a defence in the event of a cancellation action for non-use. Both the licensor and the licensee may take action against infringers, although the licensee's ability to take action is restricted by the terms of the agreement. Since Thailand is a freedom of contract jurisdiction, the contracting parties can adopt any terms or conditions they deem appropriate concerning the ability to take action, as long as the terms and conditions are not expressly prohibited by law, impossible, or contrary to public order or good morals.

4.2 Are know-how, trade secrets and other businesscritical confidential information (e.g. the Operations Manual) protected by local law?

A franchisor must be vigilant to identify and carefully control the use and disclosure of its proprietary trade secrets, such as secret know-how, formulae, recipes, inventions, client lists and sales data. This can be done in a separate nondisclosure or confidentiality agreement, or with an airtight confidentiality provision within the franchise agreement itself, or both. In Thailand, trade secrets are protected under the amended Trade Secrets Act B.E. 2545 (2002) (TSA). Provisions in this law protect against unauthorised disclosure of trade secrets and enable the court to issue injunctions against disclosure of trade secrets.

The TSA provides for broad protection and severe penalties for trade secret infringement. However, one can only resort to the TSA for enforcement purposes if careful, demonstrable steps have been taken to maintain the secrecy of whatever proprietary information is in dispute. The expansion of such protection should be viewed as a benefit for trade secret owners in seeking remedial action for unauthorised disclosure of secrets.

4.3 Is copyright (in the Operations Manual or in proprietary software developed by the franchisor and licensed to the franchisee under the franchise agreement) protected by local law?

Yes, under the Copyright Act B.E. 2537 (1994).

5 Liability

5.1 What remedies can be enforced against a franchisor for failing to comply with mandatory disclosure obligations? Is a franchisee entitled to rescind the franchise agreement and/or claim damages?

If a franchisor fails to comply with the Franchise Guidelines, an administrative fine of no more than 10% of the turnover in the relevant year may be levied. In addition, the TCC has the authority to suspend, revise or discontinue any violating franchise company activity.

If an offence is committed within the first year of commercial operations, an administrative fine of no more than THB 1 million (approximately USD 32,000) may be levied.

Furthermore, if the offender is a corporate entity and the offence was committed under the directions or conduct of a director, management or other person in charge of the corporate entity's operations, or if a person has the duty to instruct or perform certain conduct but fails to do so; such person will face the same punishment as the offending corporate entity.

Finally, third parties that suffer losses as a result of a violation of the Franchise Guidelines may launch a civil lawsuit against the franchisor.

5.2 In the case of sub-franchising, how is liability for disclosure non-compliance or for pre-contractual misrepresentation allocated between franchisor and master franchisee? If the franchisor takes an indemnity from the master franchisee in the Master Franchise Agreement, are there any limitations on such an indemnity being enforceable against the master franchisee?

An overseas franchisor may be held liable for the wrongful acts of a local sub-franchisor if they are found to both be in a principal and agent relationship. It is advisable that there are sufficient provisions in the franchise agreement where the franchisee indemnifies the overseas franchisor for any wrongful conduct.

5.3 Can a franchisor successfully avoid liability for pre-contractual misrepresentation by including a disclaimer in the franchise agreement?

Including a disclaimer in the franchise agreement to avoid liability of pre-contractual obligations may be considered unfair contract terms, for which the courts will have judicial power to adjust the consequences.

5.4 Does local law permit class actions to be brought by a number of aggrieved franchisees and, if so, are class action waiver clauses enforceable?

Class actions are possible based on Section 222/1 to Section 222/49 under the Civil Procedure Code of Thailand. The law is silent on whether class action waiver clauses are enforceable.

6 Governing Law

6.1 Is there a requirement for franchise documents to be governed by local law? If not, is there any generally accepted norm relating to choice of governing law, if it is not local law?

No, parties have free choice of governing law. However, enforcement of foreign judgments may be more challenging than if the parties have chosen for the documents to be governed by Thai law.

6.2 Do the local courts provide a remedy, or will they enforce orders granted by other countries' courts, for interlocutory relief (injunction) against a franchisee to prevent damage to the brand or misuse of business-critical confidential information?

A foreign franchisor's choice of law of a foreign jurisdiction is likely to be upheld by the Thai courts in governing a master franchise agreement, although the courts may have the parties re-litigate in Thailand.

6.3 Is arbitration recognised as a viable means of dispute resolution and is your country a signatory to the New York Arbitration Convention on the Recognition and Enforcement of Foreign Arbitral Awards? Do businesses that accept arbitration as a form of dispute resolution procedure generally favour any particular set of arbitral rules?

Yes, arbitration is recognised as a viable means of dispute resolution, and Thailand is a signatory to the New York Arbitration Convention on the Recognition and Enforcement of Foreign Arbitral Awards.

7 Real Estate

7.1 Generally speaking, is there a typical length of term for a commercial property lease?

Under the Civil and Commercial Code of Thailand, the maximum duration of a lease of immovable property is 30 years, with an option to renew for another 30 years. However, the Act Governing Leasing of Immovable Property for Commercial and Industrial Purposes B.E. 2542 (1999) further provides lease options for commercial or industrial purposes. The lease period is fixed at 30 to 50 years. The lease can be renewed for a further period of not more than 50 years. A lease of this type, and the renewal thereof, must be made in writing and registered with the competent officer; otherwise, it shall be void.

7.2 Is the concept of an option/conditional lease assignment over the lease (under which a franchisor has the right to step into the franchisee/tenant's shoes under the lease, or direct that a third party (often a replacement franchisee) may do so upon the failure of the original tenant or the termination of the franchise agreement) understood and enforceable?

This concept is often understood and enforceable to the extent that it complies with the legal requirements under the Civil and Commercial Code of Thailand and the Land Code. 7.3 Are there any restrictions on non-national entities holding any interest in real estate, or being able to sub-lease property?

Under the Land Code, foreign individuals and foreign companies are prohibited from owning land in Thailand. There are, however, a number of exceptions:

- Companies where foreigners hold no more than 49% of the total issued shares.
- Residential land of up to one rai in certain circumstances.
- Concessions/special privileges granted to foreigners from the BOI, the IEAT, petroleum concessions or other specific laws.

The right of lease under the act may be used as a security against the debt repayment by mortgaging, and may be inherited by the heir. The lessee may sub-lease or transfer the right to lease, either wholly or partly, to a third person, except where it is stated otherwise in the lease agreement.

7.4 Give a general overview of the commercial real estate market. To what extent has the real estate market been affected by the Coronavirus pandemic? Specifically, can a tenant expect to secure an initial rent free period when entering into a new lease (and if so, for how long, generally), or are landlords demanding "key money" (a premium for a lease in a flagship location)?

Generally speaking, real estate markets have almost returned to their pre-pandemic state. During the pandemic, tenants were be able to secure an initial rent-free period when entering into a new lease or were granted a reduction of the normal fee.

8 Online Trading

8.1 If an online order for products or request for services is received from a potential customer located outside the franchisee's exclusive territory, can the franchise agreement impose a binding requirement for the request to be re-directed to the franchisee for the territory from which the sales request originated?

Such requirement is likely to be accepted and enforceable given that Thailand is a freedom-to-contract jurisdiction.

8.2 Are there any limitations on a franchisor being able to require a former franchisee to assign local domain names to the franchisor on the termination or expiry of the franchise agreement?

The law does not prohibit this, but transfer of domain names is not possible under the practice of the Thai Network Information Center (THNIC), who is the regulator of country code top-level domains (CCTLDs) in Thailand. In practice, only the changes to the administrator domain names can be made.

9 Termination

9.1 Are there any mandatory local laws that might override the termination rights one might typically expect to see in a franchise agreement?

No, parties are essentially able to agree on any terms as long as they are fair. There are no specific statutory limitations on the right of a franchisor or franchisee to terminate a franchise agreement. Termination rights (including compensation for early termination) must be governed by the terms of the agreement. Liquidated damages clauses are generally enforceable, provided that they are reasonably proportional to the actual damages resulting from the breach.

9.2 Are there local rules that impose a minimum notice period that must be given to bring a business relationship that has existed for a number of years to an end, which will apply irrespective of the length of the notice period set out in the franchise agreement?

No, there are not.

10 Joint Employer Risk and Vicarious Liability

10.1 Is there a risk that a franchisor may be regarded as a joint employer with the franchisee in respect of the franchisee's employees? If so, can anything be done to mitigate this risk?

A franchisee can be regarded as an agent of the franchisor. The franchise agreement should include indemnity clauses or standard no-agency terms to minimise the risk.

10.2 Is there a risk that a franchisor may be held to be vicariously liable for the acts or omissions of a franchisee's employees in the performance of the franchisee's franchised business? If so, can anything be done to mitigate this risk?

A franchisee can be regarded as an agent of the franchisor. The franchise agreement should include indemnity clauses or standard no-agency terms to minimise the risk.

11 Currency Controls and Taxation

11.1 Are there any restrictions (for example exchange control restrictions) on the payment of royalties to an overseas franchisor?

There may be situations that restrict overseas payments to franchisors in certain countries during certain periods. Franchise fees and royalties paid by Thai franchisees or licensees to overseas franchisors or licensors are subject to Thai income tax (in the form of a withholding tax) at a rate of 15%.

11.2 Are there any mandatory withholding tax requirements applicable to the payment of royalties under a trade mark licence or in respect of the transfer of technology? Can any withholding tax be avoided by structuring payments due from the franchisee to the franchisor as a management services fee rather than a royalty for the use of a trade mark or technology?

In some cases, foreign franchisors require Thai franchisees to spend a certain amount on advertising, marketing, or promotional expenses to advertise or promote the franchisor's products or marks. These expenses may also be deemed as part of the franchise fees, which are subject to 15% withholding tax, even though the expenses were not paid directly to the foreign franchisor (Supreme Court Judgment 4440/2552 (2009)).

11.3 Are there any requirements for financial transactions, including the payment of franchise fees or royalties, to be conducted in local currency?

Generally, no.

12 Commercial Agency

12.1 Is there a risk that a franchisee might be treated as the franchisor's commercial agent? If so, is there anything that can be done to help mitigate this risk?

A franchisee can be regarded as an agent of the franchisor. The franchise agreement should include indemnity clauses or standard no-agency terms to minimise the risk.

13 Good Faith and Fair Dealings

13.1 Is there any overriding requirement for a franchisor to deal with a franchisee in good faith and to act fairly in its dealings with franchisees according to some objective test of fairness and reasonableness?

It is required that the contract terms are fair and reasonable; otherwise, certain clauses may be unenforceable.

13.2 Is there any limitation on a good faith obligation being unenforceable if it only applies from franchisee to franchisor, rather than being mutual?

Thailand is a civil law jurisdiction. Therefore, the common law notion of "implied terms" that gives effect to the parties' intention does not apply. However, in limited circumstances, some terms from the Civil and Commercial Code (such as payment and default terms) may be implied in the absence of stipulated contract provisions.

14 Ongoing Relationship Issues

14.1 Are there any specific laws regulating the relationship between franchisor and franchisee once the franchise agreement has been entered into?

Franchise terms may be dictated by legislation, negotiation, or by practical considerations that have critical importance in Thailand. Specifically, although Thailand is generally a "freedom of contract" jurisdiction, some provisions are required in certain franchise agreements, while other terms are not permissible or advisable in such agreements.

15 Franchise Renewal

15.1 What disclosure obligations apply in relation to a renewal of an existing franchise at the end of the franchise agreement term?

There is no disclosure obligation in relation to a renewal of an existing franchise. Rights of renewals are usually included in franchise agreements provided that the franchisee has fulfilled its material obligations during the initial term of the agreement.

15.2 Is there any overriding right for a franchisee to be automatically entitled to a renewal or extension of the franchise agreement at the end of the initial term irrespective of the wishes of the franchisor not to renew or extend?

There are no statutory provisions giving the franchisee a right to renew. A right of renewal is governed by the terms of the franchise agreement, and the franchisee's sole recourse if a franchisor fails to comply with a contractual right of renewal is to sue the franchisor for breach of contract.

15.3 Is a franchisee that is refused a renewal or extension of its franchise agreement entitled to any compensation or damages as a result of the non-renewal or refusal to extend?

There are no specific statutory limitations on the right of a franchisor or franchisee to terminate a franchise agreement. Termination rights (including compensation for early termination) must be governed by the terms of the agreement.

Liquidated damages clauses are generally enforceable, provided that they are reasonably proportional to the actual damages resulting from the breach.

16 Franchise Migration

16.1 Is a franchisor entitled to impose restrictions on a franchisee's freedom to sell, transfer, assign or otherwise dispose of the franchised business?

Yes, but a franchisor must be reasonable in setting terms.

16.2 If a franchisee is in breach and the franchise agreement is terminated by the franchisor, will a "step-in" right in the franchise agreement (whereby the franchisor may take over the ownership and management of the franchised business) be recognised by local law, and are there any registration requirements or other formalities that must be complied with to ensure that such a right will be enforceable?

"Step-in" rights in the franchise agreement (whereby the franchisor may take over the ownership and management of the franchised business) can be agreed in the agreement and are plausible provided that other relevant laws and requirements are met, such as provision of a product licence or other relevant business permits, or those conditions under the FBA. There are no registration requirements for the taking over.

17 Sustainability Commitments

17.1 Are there any specific regulations with respect to sustainability and reporting requirements which impact franchise arrangements in your jurisdiction?

While listed companies in Thailand are required to disclose sustainability information in their annual report filing, franchise arrangements in Thailand are generally not impacted by such requirements.

18 Electronic Signatures and Document Retention

18.1 Are there any specific requirements for applying an electronic signature to a franchise agreement (rather than physically signing a "wet ink" version of the agreement), and are electronic signatures recognised as a valid way of creating a binding and enforceable agreement?

Thailand has established an excellent framework enabling the use of electronic documents for legal purposes, under the Electronic Transactions Act (ETA) of 2001.

18.2 If a signed/executed franchise agreement is stored electronically (either having been signed using e-signatures or a "wet ink" version having been scanned and saved as an electronic file), can the paper version of the agreement be destroyed?

An electronic or scanned copy may be subject to more strict verification processes. A paper version is still recommended.

19 Current Developments

19.1 Are technology advancements such as AI and automation having a material impact on franchising in your jurisdiction?

Technology advancements are not currently having a material impact on franchising in Thailand, but franchisors and franchisees should take note of Thailand's Personal Data Protection Act B.E. 2562 (2019) and its subordinate regulations. These instruments apply to any organisation that handles data subjects' personal data. With proactive enforcement by the regulator becoming more common in recent months, noncompliance may expose businesses to significant fines and penalties.





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- Business Organisations Through Which a Franchised Business Can be Carried On
- Competition Law
- Protecting the Brand and Other Intellectual **Property**
- Liability
- Governing Law
- Real Estate
- Online Trading

- Joint Employer Risk and Vicarious Liability
- **Currency Controls and Taxation**
- Commercial Agency
- Good Faith and Fair Dealings
- Ongoing Relationship Issues
- Franchise Renewal
- Franchise Migration
- Sustainability Commitments
- **Electronic Signatures and Document Retention**
- **Current Developments**

