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Feature and legal regulations of franchising in Mongolia

In general, a franchise is a method of distributing products or services involving a franchisor, who establishes the brand's trademark or trade name and a business system, and a franchisee, who pays a royalty and often an initial fee for the right to do business under the franchisor's name and system according to the definition by the International Franchise Association. Further, according to the Investopedia definition, a franchise is joint venture between a franchisor and a franchisee. The franchisor is the original business. It sells the right to use its name and idea. The franchisee buys this right to sell the franchisor's goods or services under an existing business model and trademark.

Although there is no express definition of franchise in the legal framework of Mongolia, a franchise agreement is incorporated in the Civil Code of Mongolia (2002) as one type of contracts. Under a franchise agreement, a franchisor grants to a franchisee license for the use of intangible assets such as firm name, trademark, service mark, product design, packaging, as well as a business management system, plan, communication, business types to obtain goods, products, works, and services. On the other hand, the franchisee operates in accordance with the system and cooperation program developed by the franchisor, and pays appropriate royalty, fee, or a certain percentage of the income.



Locations

MONGOLIA