



International Distribution Institute

Permissible restrictions on the choice of suppliers

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Are there any legal restrictions on the franchisor's right to restrict franchisees from purchasing products/services/FF&E from suppliers other than those of franchisor's choice?

Contract law and abuse of rights

Freedom under contract law but limitations under competition laws

- Tying practises in the US
- The *Pronuptia* case and the VABER in the EU

Are there any legal restrictions on the franchisor's right to restrict franchisees from purchasing products/services/FF&E from suppliers other than those of franchisor's choice?

- *Pronuptia* landmark case
 - ✓ Core products/services – rules look at the nature and circumstances of the product/service: whether standards of quality can be matched by third parties and are compatible with protection of franchisor's Know-How

- General rule in VABER: exclusive supply must be limited to 80% of the franchisee purchase requirements.

- Specific rules for franchising provided in Commission notice

Are there any legal restrictions on the franchisor's right to restrict franchisees from purchasing products/services/FF&E from suppliers other than those of franchisor's choice?

➤ **Mandatory Suppliers vs.
Recommended/Suggested Suppliers**

➤ **FF&E**

- ✓ Spanish competition authorities practise strict in ensuring franchisee's freedom to acquire FF&E as well as IT from third suppliers.

Best practises in contractual regulation of designated and alternative suppliers

Which are the criteria for distinguishing between designated, authorized and alternative suppliers?

Should the quality standards of suppliers be written down?

Should they be included in the franchise agreement, or in the operation manual?



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Pricing issues

Cases of abuse of a position and abuse of rights

Developments in ESG impact on the choice of suppliers in franchising

How is ESG impacting the choice of suppliers and the evaluation, monitoring and verification requirements?

How to define and apply ESG requirements for the supply chain of a franchise system?



Supply chain and the franchisor's group

Potential conflicts arising when franchisor's affiliate companies are exclusive or designated suppliers to the franchise system



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Thank you for your attention

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