

Thinking about franchising in Hong Kong? Read This First.

February 11, 2020 – The TMCA

by Janet Wong and Ivy Tsui



Hong Kong is an attractive franchising market, as an entry point to China and other international markets. While franchising in Hong Kong is not specifically regulated by law, there are common law principles and legislation that are applicable when setting up or operating a franchise in Hong Kong. Unlike some other jurisdictions, the system allows for

foreign franchisors to enter into franchise agreements without establishing a wholly-owned subsidiary or branch office in Hong Kong. In addition, franchise operations are not required to register with the Hong Kong government or any trade associations.

However, as the Hong Kong government does not impose any formalities that the franchisor must comply with when setting up a franchise system, it is imperative to consider the implications of common law, contract law, and other applicable legislations to determine how best to define franchise relationships. The provisions in the franchise agreement and the particular facts of the arrangement will define any relationship and there are key provisions to consider in franchise agreements to ensure you are well protected.

For example, the Competition Ordinance, which came into effect on 14 December 2015, prohibits restrictions on competition in Hong Kong and the rules of the Ordinance can be implicated by restrictions imposed by the franchisor that go beyond what is reasonably necessary to maintain and protect the franchisor's legitimate business interests. Such restrictions, if found in a franchise agreement, may be considered anti-competitive.

Related People

- Janet Wong

Related Capabilities

- Trademark, Copyright + Advertising
- Intellectual Property Litigation

Likewise, restrictive covenants found in franchise agreements which extend past expiration of the franchise arrangement may be unenforceable and must be crafted narrowly, without excessive obligation, and with only restrictions that are no more than reasonably necessary to protect the franchisor's legitimate business interests.

For further legal and commercial advice on key provisions and concepts to consider when setting up franchises in Hong Kong and drafting franchise agreements, please see this [Hong Kong Franchising Q&A](#) recently published by our team of expert lawyers in Hong Kong for Thomson Reuters' Practical Law database.

Reproduced from Practical Law with the permission of the publishers. For further information, visit us.practicallaw.com.