

# Legal 500

## Country Comparative Guides 2025

**Sweden**

**Franchise & Licensing**

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This country-specific Q&A provides an overview of franchise & licensing laws and regulations applicable in Sweden.

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## Sweden: Franchise & Licensing

### 1. Is there a legal definition of a franchise and, if so, what is it?

Since 2006 there has been a disclosure law called the Act on Franchisor's Obligations to Inform Franchisee (2006:484), which regulates the information a franchisor must disclose within a reasonable time and before a potential franchisee signs the franchise agreement. This law contains the following legal definition of a franchise agreement:

"A franchise agreement is an agreement by which an enterprise agrees with a party that the party against consideration shall use the specific business model of the enterprise regarding the marketing and selling of products or services, and shall use the trademarks and the proprietary rights of the enterprise, and accepts regular controls that the franchise agreement adheres to."

### 2. Are there any requirements that must be met prior to the offer and/or sale of a franchise? If so, please describe and include any potential consequences for failing to comply.

There is no particular law that regulates the offer and sale of franchise. Such offer and sale are covered by the general commercial laws that govern business contracts.

### 3. Are there any registration requirements for franchisors and/or franchisees? If so, please describe them and include any potential consequences for failing to comply. Is there an obligation to update existing registrations? If so, please describe.

There are no particular registration requirements regarding a certain business just because the business is operating under a franchise system.

### 4. Are there any disclosure requirements (franchise specific or in general)? If so, please describe them (i.e. when and how must disclosure be made, is there a prescribed format,

must it be in the local language, do they apply to sales to sub-franchisees) and include any potential consequences for failing to comply. Is there an obligation to update and/or repeat disclosure (for example in the event that the parties enter into an amendment to the franchise agreement or on renewal)?

The Swedish disclosure law states that the franchisor shall provide information about the implication of the franchise agreement and about any other conditions that are needed concerning the circumstances in question, in good time before the signing of the franchise agreement.

The information shall be in writing, clear and understandable and shall, as a minimum, contain the following.

1. A description of the franchise business model that is to be operated by the franchisee.
2. Information about the other franchisees in the franchise chain and the size of their businesses.
3. Information about the payments the franchisee shall make to the franchisor and about the other financial conditions in the franchise agreement.
4. Information about the intellectual and proprietary rights that are to be licensed to the franchisee.
5. Information about the products and services that the franchisee is obligated to buy or lease.
6. Information about any non-competition clause that is to be valid during the term of the franchise agreement or after the expiration of the agreement.
7. Information about the term of the franchise agreement, the conditions for amendments, prolongation and termination of the franchise agreement and about the financial consequences connected with the termination of the franchise agreement.
8. Information about the dispute resolution rules in the franchise agreement and how the costs for such dispute resolution shall be finally distributed between the parties.

Said information shall also be handed over when the franchise agreement is to be transferred with the consent of the franchisor from the present franchisee to a new franchisee.

However, the list above is only a minimum requirement. The law requires also that if there is a clause in the franchise agreement that can be seen as particularly financially onerous upon the franchisee, such clause must also be disclosed beforehand.

The only format of disclosure that is prescribed by the law is that the information is handed over in writing and in understandable language.

Since it is the franchisor who has the burden of proof in a dispute whether the franchisee has been informed according to the law or not, it is advisable that the franchisor sees to it that franchisee signs a receipt confirming that the information has been received in good time before the signing of the franchise agreement.

The pre-sale disclosure obligations are also applicable to a sub-franchise, and it is the master franchisee that must hand over the information in question to its potential sub-franchisees

It must not be in Swedish (the local language) The legal requirement in the disclosure law is that such a document shall be understandable for the potential franchisee in question. However, the European ethical code requires that the franchise agreement be translated into the official language of the country in which the franchisee is established. However, as many business people in Sweden understand English today, it is fairly common for franchise agreements as well as disclosure documents written in plain English to be considered acceptable.

The only remedy provided by the Swedish disclosure law is that a franchisor failing to provide information that should be disclosed can be ordered by the court to provide this information and to amend its disclosure document accordingly for its future usage and, if not complying with this order, can be ordered by the court to pay a penalty sum to the government. Unfortunately, the franchisee that has not received the information is not entitled to rescind the franchise agreement and/or claim damages.

Furthermore, the absence of such information could, according to the preparatory work behind the disclosure law, give a franchisee a good argument for pleading that an onerous clause in his agreement should be declared by the court or the arbitrator to be unreasonable and thus null and void under section 36 of the Swedish Contract Act, because he or she had not been informed about this clause. If the court then rules in favour of this franchisee, the clause in question can no longer be enforced by the franchisor, but the franchise agreement will still be valid

except for this clause. However, this argument and such a case have yet to be tested before a district court and eventually the Swedish Supreme Court in order to establish a precedent for such an argument and ruling.

There is no obligation to make continuing disclosure to existing franchisees and at the renewal of an existing franchise agreement for a new term.

### **5. If the franchisee intends to use a special purpose vehicle (SPV) to operate each franchised outlet, is it sufficient to make disclosure to the SPVs' parent company or must disclosure be made to each individual SPV franchisee?**

Every franchisee is entitled to disclosure.

### **6. What actions can a franchisee take in the event of mis-selling by the franchisor? Would these still be available if there was a disclaimer in the franchise agreement, disclosure document or sales material?**

A party to a contract cannot be free from liability for any false statements that have misled the other party to enter into the contract in question. Such an agreement is rescinded by the court, provided that the other party has proved that it decided to enter into the contract based on a representation that has turned out to be a misrepresentation. No disclaimer can cure that.

### **7. Would it be legal to issue a franchise agreement on a non-negotiable, "take it or leave it", basis?**

Yes. That is legal. No one is forced to sign such an agreement.

### **8. How are trademarks, know-how, trade secrets and copyright protected in your country?**

A trade mark is protected by registration, or by the use of the fact that the trade mark owner can prove that the trade mark in question is well-known within the majority of its market. But, since the latter can be difficult to prove in a court dispute against an infringer, the recommendation is that the trade mark should be registered in order to get protection.

Trade mark registration is made at the Swedish Patent and Registration Office, is valid for a period of 10 years,

and can be renewed for additional 10-year periods. Sweden has ratified the Protocol Relating to the Madrid Agreement on the International Registration of Marks, and recognises European Community Trademarks.

Know-how and trade secrets are protected by law and by non-disclosure agreements or by non-disclosure clauses in agreements, but it is very important to also treat this information as confidential by protecting the information physically, by having the information accessible only within restricted areas and/or by only granting a limited group of persons access to the information, and finally, by using visible signs to brand the documents (e.g. the Operations Manual) as trade secrets and confidential information.

The Operations Manual and the software are automatically protected under copyright law. There is no need for registration.

**9. Are there any franchise specific laws governing the ongoing relationship between franchisor and franchisee? If so, please describe them, including any terms that are required to be included within the franchise agreement.**

No. This relationship is governed by general commercial laws and precedents.

**10. Are there any aspects of competition law that apply to the franchise transaction (i.e. is it permissible to prohibit online sales, insist on exclusive supply or fix retail prices)? If applicable, provide an overview of the relevant competition laws.**

There are no competition laws that apply to the offer and sales of franchises. With regard to Swedish competition laws, these are identical to the competition laws applied by the EU Common Market and thus include the same regulations concerning online sales, supply exclusivity and fixed retail prices.

**11. Are in-term and post-term non-compete and non-solicitation clauses enforceable and are there any limitations on the franchisor's ability to impose and enforce them?**

In-term and post-term non-compete and non-solicitation clauses are enforceable as long as they adhere to the EU rules.

**12. Is there an obligation (express or implied) to deal in good faith in franchise relationships? If so, what practical effects does this have on the relationship between franchisor and franchisee?**

There is no such expressed obligation, but a franchisor shall deal with a franchisee in good faith and act fairly by following the general principles that are embedded in all commercial agreements meaning that each party must be loyal to the other and make its best efforts to meet its obligations. If not, that could be seen as a material breach of the contract, giving the other party the right to terminate the contract prematurely and claim damages.

**13. Are there any employment or labour law considerations that are relevant to the franchise relationship? Is there a risk that the staff of the franchisee could be deemed to be the employees of the franchisor? What steps can be taken to mitigate this risk?**

There is no labour law that is relevant to the franchise relationship. However, if a franchisor passes by the franchisee and gives instructions and orders directly to the employees of the franchisee, there is a risk that the employees of the franchisee can be seen as the employees of the franchisor. Consequently, if the franchisor will communicate with the employees of the franchisee, the franchisor must communicate with the franchisee and instruct the franchisee to forward this communication to its employees.

**14. Is there a risk that a franchisee could be deemed to be the commercial agent of the franchisor? What steps can be taken to mitigate this risk?**

No, only if the franchise agreement has clauses that falls under the Swedish Agency Act. This act is based on EU law. The court disregards what the agreement is called by the parties. The court looks at the real character of the agreement.

**15. Are there any laws and regulations that affect the nature and payment of royalties to a foreign franchisor and/or how much interest can be charged? Are there any requirements for payments in connection with the franchise agreement to be made in the local currency?**

There are no such laws and regulations or requirements.

**16. Is it possible to impose contractual penalties on franchisees for breaches of restrictive covenants etc.? If so, what requirements must be met in order for such penalties to be enforceable?**

Yes, it is possible to impose and enforce contractual penalties on franchisees provided they are explicit stated in the franchise agreement.

**17. What tax considerations are relevant to franchisors and franchisees? Are franchise royalties subject to withholding tax?**

There are no taxes specifically aimed at franchise relationship and the franchise royalties are not subject to withholding tax.

**18. How is e-commerce regulated and does this have any specific implications on the relationship between franchisor and franchisee? For example, can franchisees be prohibited or restricted in any way from using e-commerce in their franchise businesses?**

The franchisee cannot be prohibited from using e-commerce in its business but the franchisor can set conditions for such e-commerce in accordance with the EU competition laws.

**19. What are the applicable data protection laws and do they have any specific implications for the franchisor/franchisee relationship?**

The Swedish data protection laws are in concert with EU laws. The franchise agreement should regulate the area of responsibilities under these laws between the franchisor and the franchisee.

**20. Is the franchisor permitted to restrict the transfer of (a) the franchisee's rights and obligations under the franchise agreement or (b) the ownership interests in the franchisee?**

Yes, the franchisor has these powers, provided these restrictions and the conditions for these restrictions are explicated regulated in the franchise agreement.

**21. Does a franchisee have a right to request a**

**renewal on expiration of the initial term? In what circumstances can a franchisor refuse to renew a franchise agreement? If the franchise agreement is not renewed or it if it terminates or expires, is the franchisee entitled to compensation? If so, under what circumstances and how is the compensation payment calculated?**

The franchisee has no such renewal rights if such rights are not stated in the franchise agreement. The same can be said about entitlements to compensation.

**22. Are there any mandatory termination rights which may override any contractual termination rights? Is there a minimum notice period that the parties must adhere to?**

No, there are no such mandatory terminations rights, but if there is not a fixed end date in the agreement, either party has the right at any time during the life of the agreement to terminate the agreement within a reasonable notification period. The longer the time such an agreement has existed, the longer the notification period must be. If the agreement has existed more than three years a mutual notification period of nine months is deemed reasonable.

**23. Are there any intangible assets in the franchisee's business which the franchisee can claim ownership of on expiry or termination, e.g. customer data, local goodwill, etc.**

This is a grey area. Most franchise agreements in Sweden explicitly states that customer data, local goodwill etc. are the property of the franchisor.

**24. Is there a national franchising association? Is membership required? If not, is membership commercially advisable? What are the additional obligations of the national franchising association?**

Yes, there is such an association called the Swedish Franchise Association (Svenska Franchise Föreningen). Membership is not mandatory, but could be commercially advisable because such membership says to the potential franchisee that the franchisor is prepared to follow not only the disclosure law but also the ethical rules of this association that are in concert with the ethical code of the European Franchise Federation (EFF),

called the European Code of Ethics for Franchising <https://eff-franchise.com>.

**25. Are foreign franchisors treated differently to domestic franchisors? Does national law/regulation impose any debt/equity restrictions? Are there any restrictions on the capital structure of a company incorporated in your country with a foreign parent (thin capitalisation rules)?**

No, there is no such different treatments, laws, regulations and restrictions.

**26. Must the franchise agreement be governed by local law?**

No, there are no obligations of that kind if the franchise agreement in question states that it is governed by a specific law other than Swedish law.

**27. What dispute resolution procedures are available to franchisors and franchisees? Are there any advantages to out of court procedures such as arbitration, in particular if the franchise agreement is subject to a foreign governing law?**

Almost all Swedish franchise agreements contain a

dispute clause that refers to the arbitral rules of the SCC Arbitration Institute <https://sccarbitrationinstitute.se>.

**28. Must the franchise agreement and disclosure documents be in the local language?**

No, the legal requirement in the disclosure law is that such a document shall be understandable for the potential franchisee in question. However, the European ethical code requires that the franchise agreement be translated into the official language of the country in which the franchisee is established. However, as many business people in Sweden understand English today, it is fairly common for franchise agreements as well as disclosure documents written in plain English to be considered acceptable

**29. Is it possible to sign the franchise agreement using an electronic signature (rather than a wet ink signature)?**

Yes, that possibility exists.

**30. Do you foresee any significant commercial or legal developments that might impact on franchise relationships over the next year or so?**

There is no specific challenge facing the concept of franchising in Sweden today.

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