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Taiwan - Franchise & Licensing

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Taiwan - Franchise & Licensing

1. Current legal landscape for Franchise & Licensing in Taiwan

In Taiwan, there is no specific Franchise Act for governing franchising and licensing matters. Instead, franchising activities are primarily governed by the *Fair Trade Act*, which regulates disclosure obligations and prohibits unfair contractual terms, alongside the *Company Act* and the *Civil Code*. In addition, the *Consumer Protection Act* may also apply, particularly where the franchise relationship involves consumer-facing transactions, ensuring that consumer rights and interests are adequately safeguarded.

Licensing arrangements, on the other hand, are generally based on the principle of freedom of contract under the *Civil Code*. The specific terms are negotiated between the parties, while the relevant IP statutes—such as the *Trademark Act*, *Patent Act*, and *Copyright Act*—provide the legal foundation for the validity and scope of the licensed rights.

Overall, while Taiwan lacks dedicated statutes for franchise and licensing matters, the existing framework of general contract law, the *Fair Trade Act*, the *Consumer Protection Act*, and IP Law (e.g., *Trademark Act*, *Patent Act*, and *Copyright Act*) provides sufficient certainty and enforceability for foreign businesses entering the market.

2. Three essential pieces of advice for clients

Secure IP rights

It is necessary to ensure that relevant patents and trademarks are duly registered in Taiwan to protect the clients' brand reputation and technology. Even though there are already registered patent and trademark rights, it is possible to entrust an IP law firm to seek some enforcement strategies. For example, for a registered patent or trademark right potentially infringing on the client's IP rights, the client may consider initiating an invalidation process.

On the other hand, although copyright protection arises automatically upon creation, we strongly recommend keeping solid and verifiable evidence of the date of creation (e.g., notarized copies, reliable timestamp records, or safekeeping with a trusted third party). Such documentation not only helps prevent unnecessary disputes from third parties but also serves as persuasive proof in potential litigation, arbitration, or licensing negotiations. Establishing a clear chain of evidence can further strengthen the client's legal position, safeguard creative works against misappropriation, and enhance the commercial value of their intellectual assets.

In addition, it is advisable to consider defensive registrations, such as Mandarin version of trademarks, domain names, and other related rights, in order to provide comprehensive protection and minimize the risk of potential local infringement or misappropriation. Such proactive measures can safeguard the client's brand integrity, prevent dilution, and strengthen its overall market position in Taiwan.

Carefully review agreements

Franchise and licensing contracts must be thoroughly examined to ensure compliance with Taiwanese legal requirements, particularly the *Fair Trade Act* and general contract principles. Contracts should clearly define territorial scope, termination rights, dispute resolution mechanisms, and compliance with local consumer protection laws. For cross-border arrangements, parties should also consider enforceability under Taiwanese arbitration or court proceedings.

Given Taiwan's well-established legal environment, foreign franchisors and licensors are naturally concerned about securing effective remedies against local partners in the event of losses. Therefore, it is advisable to designate the Taipei District Court as the agreed forum for litigation, ensuring both predictability and enforceability of judgments within Taiwan.

Ensure regulatory compliance and operational feasibility in local market

Foreign franchisors and licensors should pay close attention to Taiwan's regulatory framework beyond the *Fair Trade Act* and general contract principles. Compliance with the *Consumer Protection Act* is critical when the franchise involves end-consumer transactions, while adherence to labor and employment regulations, such as the Labor Standards Act, minimum wage requirements, overtime pay, and severance obligations, is equally essential. Businesses should also remain aware of potential tax implications and reporting obligations to avoid unnecessary liabilities or penalties. By proactively addressing these areas, foreign enterprises can reduce legal risks and establish a more secure foundation for market entry.

In addition to legal compliance, careful evaluation of operational feasibility is crucial for long-term success. Franchisors and licensors should assess practical factors such as labor costs, employee benefits, rental expenses, and supply chain logistics, along with non-obvious costs that may affect profitability. A realistic understanding of these obligations and expenses enables businesses to set sustainable financial expectations, adapt to local market conditions, and safeguard the profitability of their franchise or licensing operations in Taiwan.

3. Greatest threats and opportunities in Franchise & Licensing law in the next 12 months

Greatest Threats

As mentioned above, there is no specific *Franchise Act* governing franchising and licensing activities in Taiwan. Nevertheless, the Fair Trade Commission (FTC), a government agency responsible for enforcing competition and the *Fair Trade Act*, has issued the *Guidelines on Handling Cases Involving the Business Practices of Franchisors* and a *Franchise Disclosure Checklist*, to ensure that franchisors comply with fair trade principles and provide sufficient disclosure of the business contents to franchisees. Likewise, licensing arrangements are also subject to the core principles of the *Fair Trade Act*.

As the latest version of the *Guidelines* has remained effective since 2018 and relatively mature, it is expected to continue to apply over the next 12 months. Therefore, for foreign franchisors or licensors seeking to expand their businesses into Taiwan, it is essential to engage a reliable local law firm that can ensure full compliance with the *Fair Trade Act* and relevant FTC *Guidelines*. This helps avoid legal risks of significant administrative penalties and invalidation of the franchise or licensing agreements and ensure to stabilize the franchise network.

Opportunities

Provided that the franchise or licensing agreements are carefully structured to address the above legal considerations, Taiwan's combination of reasonable labor and rental costs, together with its stable and transparent legal environment, makes it an attractive market for franchise and licensing development. Foreign businesses often view Taiwan as a manageable entry point into Asia, with a receptive consumer base and a reliable legal framework that offers predictability and enforceability.

Moreover, Taiwan serves as a valuable benchmark for neighboring markets such as China, Hong Kong, Macau, Singapore, and Malaysia. Achieving success in Taiwan demonstrates a brand's adaptability to East Asian consumer preferences and regulatory requirements, thereby strengthening its credibility when negotiating with partners or regulators in larger or more complex jurisdictions. As such, Taiwan is regarded not only as a profitable standalone market but also as a strategic springboard for broader regional expansion.

4. How do you ensure high client satisfaction levels are maintained by your practice?**Quick Response**

Despite different time zones, we always make sure to reply inquiries within 24 hours. For inquiries that require more time to handle, we will acknowledge receipt immediately so that clients know their concerns are being attended to. This prompt communication helps build trust and a sense of reliability.

Finding the Right Resources

Franchise and licensing matters often involve multiple areas of law and regulation. We acknowledge that our expertise may not cover every aspect; however, we make every effort to find the right sources. For example, one of our client inquired about importing pet food into Taiwan, which is an issue involving not only franchise and licensing agreements but also import inspection and customs clearance requirements. In this regard, we collaborate with a local trading company specializing in pet food imports, which is then able to assist with inspection and customs clearance.

Maximize IP rights

As an IP law firm, we assist clients in securing and verifying all IP rights in Taiwan, checking for potential obstacles such as similar prior trademarks, and reviewing licensing agreements for compliance with local laws and practice. By doing so, our clients can focus on businesses strategy and market development, confident that legal risks are well managed and monitored.

5. What technological advancements are reshaping your practice area and how can clients benefit from them**Automated case management system**

We have implemented an automated case-management system that continuously monitors clients' matters to ensure all filings and procedures are made within statutory deadlines. The system also provides real-time updates on case progress, allowing both our team and clients to stay informed and confident that every step is handled on schedule.

AI tools

AI is fundamentally reshaping workflows worldwide. With clients' consent, we leverage AI tools for tasks such as local market research, patent and trademark search, and legal analysis on relevant cases, statutes, and regulations, enabling us to deliver high-quality service and insights in the shortest possible time, which allows clients to have sufficient time to focus on strategic planning for their franchise and licensing businesses.

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