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**BUSINESS AND PROFESSIONS CODE - BPC**

**DIVISION 8. SPECIAL BUSINESS REGULATIONS [18400 - 22949.92.2]** ( *Division 8 added by Stats. 1941, Ch. 44. )*

**CHAPTER 5.5. Franchise Relations [20000 - 20044]** ( *Chapter 5.5 added by Stats. 1980, Ch. 1355, Sec. 1. )*

**ARTICLE 1. Definitions [20000 - 20010]** ( *Article 1 added by Stats. 1980, Ch. 1355, Sec. 1. )*

**20000.** This chapter shall be known and may be referred to as the California Franchise Relations Act.

(*Added by Stats. 1980, Ch. 1355, Sec. 1. Effective October 1, 1980. Operative January 1, 1981, by Sec. 6 of Ch. 1355.*)

**20001.** As used in this chapter, "franchise" means a contract or agreement, either expressed or implied, whether oral or written, between two or more persons by which:

(a) A franchisee is granted the right to engage in the business of offering, selling or distributing goods or services under a marketing plan or system prescribed in substantial part by a franchisor; and

(b) The operation of the franchisee's business pursuant to that plan or system is substantially associated with the franchisor's trademark, service mark, trade name, logotype, advertising, or other commercial symbol designating the franchisor or its affiliate; and

(c) The franchisee is required to pay, directly or indirectly, a franchise fee.

(d) "Franchise" does not include any of the following:

(1) Any franchise governed by the Petroleum Marketing Practices Act (P.L. 95-297).

(2) Lease departments, licenses, or concessions at or with a general merchandise retail establishment where the lease department, licensee, or concessionaire is incidental and ancillary to the general commercial operation of the retail establishment. Sales of a leased department, license, or concessionaire are incidental and ancillary to the general commercial operation of the retail establishment if they amount to less than 10 percent of the establishment's sales.

(3) A nonprofit organization operated on a cooperative basis by and for independent retailers which wholesales goods and services primarily to its member retailers and in which all of the following is applicable:

(A) Control and ownership of each member is substantially equal.

(B) Membership is limited to those who will use the services furnished by the organization.

(C) Transfer of ownership is prohibited or limited.

(D) Capital investment receives no return.

(E) Substantially equal benefits pass to the members on the basis of patronage of the organization.

(F) Members are not personally liable for obligations of the organization in the absence of a direct undertaking or authorization by them.

(G) Services of the organization are furnished primarily for the use of the members.

(H) Each member and prospective member is provided with an offering circular which complies with the specifications of Section 31111 of the Corporations Code.

(I) No part of the receipts, income, or profit of the organization are paid to any profitmaking entity, except for arms-length payments for necessary goods and services and members are not required to purchase goods or services from any designated profitmaking entity.

(J) The nonprofit organization is subject to an action for rescission or damages under Section 3343.7 of the Civil Code if the organization fraudulently induced the plaintiff to join the organization.

*(Amended by Stats. 1989, Ch. 1380, Sec. 1.)*

**20002.** A “franchisee” is a person to whom a franchise is granted.

*(Added by Stats. 1980, Ch. 1355, Sec. 1. Effective October 1, 1980. Operative January 1, 1981, by Sec. 6 of Ch. 1355.)*

**20003.** A “franchisor” is a person who grants or has granted a franchise.

*(Added by Stats. 1980, Ch. 1355, Sec. 1. Effective October 1, 1980. Operative January 1, 1981, by Sec. 6 of Ch. 1355.)*

**20004.** “Area franchise” means any contract or agreement between a franchisor and a subfranchisor whereby the subfranchisor is granted the right, for consideration given in whole or in part for such right, to sell or negotiate the sale of franchises in the name or on behalf of the franchisor.

*(Added by Stats. 1980, Ch. 1355, Sec. 1. Effective October 1, 1980. Operative January 1, 1981, by Sec. 6 of Ch. 1355.)*

**20005.** A “subfranchisor” is a person to whom an area franchise is granted.

*(Added by Stats. 1980, Ch. 1355, Sec. 1. Effective October 1, 1980. Operative January 1, 1981, by Sec. 6 of Ch. 1355.)*

**20006.** “Franchise” includes “area franchise.”

*(Added by Stats. 1980, Ch. 1355, Sec. 1. Effective October 1, 1980. Operative January 1, 1981, by Sec. 6 of Ch. 1355.)*

**20007.** “Franchise fee” means any fee or charge that a franchisee or subfranchisor is required to pay or agrees to pay for the right to enter into a business under a franchise agreement, including, but not limited to, any payment for goods and services.

However, the following shall not be considered the payment of a franchise fee:

(a) The purchase or agreement to purchase goods at a bona fide wholesale price if no obligation is imposed upon the purchaser to purchase or pay for a quantity of goods in excess of that which a reasonable businessperson normally would purchase by way of a starting inventory or supply or to maintain a going inventory or supply.

(b) The payment of a reasonable service charge to the issuer of a credit card by an establishment accepting or honoring that credit card.

(c) Amounts paid to a trading stamp company under Chapter 3 (commencing with Section 17750) of Part 3 of Division 7 by a person issuing trading stamps in connection with the retail sale of merchandise or service.

(d) The payment, directly or indirectly, of a franchise fee which, on an annual basis, does not exceed the sum of one hundred dollars (\$100).

(e) The payment of a sum of not exceeding one thousand dollars (\$1,000) annually on account of the purchase price or rental of fixtures, equipment, or other tangible property to be utilized in, and necessary for, the operation of the franchised business, if the price or rental so charged does not exceed the cost which would be incurred by the franchisee acquiring the item or items from other persons or in the open market.

*(Amended by Stats. 2002, Ch. 664, Sec. 29. Effective January 1, 2003.)*

**20008.** “Person” means an individual, a corporation, a partnership, a limited liability company, a joint venture, an association, a joint stock company, a trust or an unincorporated organization.

*(Amended by Stats. 1994, Ch. 1010, Sec. 25. Effective January 1, 1995.)*

**20009.** The regulations, releases, guidelines, and interpretive opinions of the Commissioner of Financial Protection and Innovation under the Franchise Investment Law (Division 5 (commencing with Section 31000) of Title 4 of the Corporations Code) regarding whether or not an agreement constitutes a “franchise” within the meaning of that law shall be prima facie evidence of the scope and extent of coverage of the definition of “franchise” under this chapter; provided, however, the burden of proving an exemption or an exception from a definition is upon the person claiming it.

*(Amended by Stats. 2022, Ch. 452, Sec. 17. (SB 1498) Effective January 1, 2023.)*

**20010.** Any condition, stipulation or provision purporting to bind any person to waive compliance with any provision of this law is contrary to public policy and void.

*(Added by Stats. 1980, Ch. 1355, Sec. 1. Effective October 1, 1980. Operative January 1, 1981, by Sec. 6 of Ch. 1355.)*