

STARTING A FRANCHISE BUSINESS

BUSINESS SWEDEN
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FRANCHISE LAW

There is no specific comprehensive franchise legislation in Sweden. The only direct franchise-related legislation is a disclosure obligation for the franchisor (Law 2006:484). Under Swedish disclosure rules, a franchisor must provide a prospective franchisee with certain information before a franchise contract is entered into. The legislation covers all franchise contracts in Sweden: domestic and foreign contracts; master franchise contracts and unit contracts; new contracts; and renewals of old contracts.

WHAT IS A FRANCHISE CONTRACT?

Swedish legislation defines a franchise contract as one by which an entrepreneur (the franchisor) agrees with another party (the franchisee) that the latter may use the franchisor's business idea for the marketing and sale of goods or services in return for compensation.

The contract entitles and obligates the franchisee to use the franchisor's distinctive trademarks and other intellectual property rights. It also requires the franchisee to cooperate with regular checks to ensure compliance with the contract.

FRANCHISOR'S DUTY TO PROVIDE INFORMATION

A franchisor has a duty to provide the franchisee with the information required regarding the implications of the contract and other conditions. The information must be in writing and be clear, understandable and provided within a reasonable time period before the contract is signed.

MINIMUM REQUIREMENTS ARE:

- A description of the franchise activity that the franchisee is to run.
- Information on other franchisees with which the franchisor has concluded a contract within the same franchise system, and the scope of their activity.
- Information on the compensation that the franchisee is to pay the franchisor and other financial conditions for the franchise activity.
- Information on the intellectual property rights that will be granted to the franchisee.
- Information on the goods or services that the franchisee is obliged to buy or rent.
- Information on the prohibition to compete that will apply during or after the time for which the franchise contract will last.
- Information about the term of the contract, conditions for modification, extension and termination of the franchise contract, as well as the financial consequences of termination.
- Information on how a contractual dispute will be adjudicated and liability for the cost of legal proceedings.

OTHER CONSIDERATIONS WHEN SETTING UP A FRANCHISE

Franchisors and franchisees need to consider Swedish legislation in other areas prior to drawing up and signing a franchise contract. The primary areas here are: contract law, intellectual property law, agency law, competition law, commercial law and consumer protection legislation.

Additionally, the content of the business operating manual should be reviewed and adjusted to Swedish regulations and business custom.

REGISTERING A COMPANY

Franchise contracts often require franchisees to operate as a legal entity. Franchisees generally choose to trade as limited liability companies (aktiebolag).

Starting a company is a straightforward process in Sweden, either by forming the company or buying an “off-the-shelf” company provided by a company agent or law firm.



Photo by Mike Petrucci on Unsplash

USEFUL CONTACTS

INDUSTRY ASSOCIATION

Swedish Franchise Association

(Svenska Franchiseföreningen)

Kungsgatan 71, SE112 27 Stockholm

+46 766 10 41 66

www.svenskfranchise.se

Franchise systems, companies and individuals are eligible for membership.



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BUSINESS SWEDEN Box 240, SE-101 24 Stockholm, Sweden
World Trade Center, Klarabergsviadukten 70
T +46 8 588 660 00 info@business-sweden.se

[BUSINESS-SWEDEN.COM](https://business-sweden.com)