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Franchising 2026

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Law and Practice

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OLIVARES

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OLIVARES is a leading Mexican law firm with nearly 60 years of experience, based in Mexico City, with 11 partners and more than 31 associates and professionals, including a franchising team. With long-standing strength in intellectual property and well-established corporate and commercial practices, OLIVARES advises domestic and international clients on franchising, sales and distribution, and related business transactions in Mexico. Its franchising practice covers franchise structuring, agreements and disclosure requirements, trade mark licensing, know-how protection, royalties, distribution, development obligations, sub-franchising and cross-border expansion. The firm's expertise in patents, trade marks, copyrights and litigation, together with its industry experience in life sciences, entertainment and emerging technologies, enables it to address the IP, contractual, operational and regulatory aspects of franchise relationships. Recent work includes advising international franchise systems, particularly in food and beverage, on expansion and operations in Mexico, including franchise documentation, development obligations, sub-franchising, amendments and related trade mark matters.

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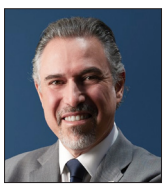

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1. An Introduction to Franchising

1.1 Franchise Market Overview

According to the latest study published by the Mexican Franchise Association (*Asociación Mexicana de Franquicias* – AMF), there are currently more than 1,500 brands operating and expanding under the franchise model. There are currently more than 300 franchise companies affiliated with the AMF across categories including automotive, pet care and animal services, entertainment, recreation, fashion, textiles and accessories, food and beverages, professional and financial services.

The franchise network in Mexico generates more than 1 million jobs and accounts for approximately 5% of the country's gross domestic product (GDP). According to various estimates, the sector carries out more than 1,425,000 transactions per day.

Leading Mexican brands operating in the market include:

- KidZania, in the entertainment and education sector;
- FRAICHE, in the fragrance and personal care sector;
- Tintorerías Max, in the services sector;
- Baby Ballet Marbet, in the training and education sector; and
- Creditaria México, in the financial services sector.

At the same time, some of the leading international franchise brands operating in Mexico are North America-based companies, including McDonald's, Starbucks, KFC, Domino's Pizza, Burger King, Subway, 7 Eleven, Chipotle, Little Ceasar's, Panda Express, Tim Hortons, Pizza Hut and Kumon.

More recently, several Asian brands have been exploring opportunities to enter the Mexican market. One example is Mixue, a Chinese franchise operating in the food and beverage sector.

1.2 Franchise Regulation

Franchising is regulated under the Federal Law for the Protection of Industrial Property (*Ley Federal de Protección a la Propiedad Industrial* – LFPPI) and its corresponding Regulations. The law's most relevant provisions address the definition of a franchise, the

requirements for entering into a franchise agreement and the elements that must be included in a franchise agreement, among other matters. The Regulations, in turn, primarily establish the requirements that must be satisfied by the franchise disclosure document (FDD).

However, other laws may apply on a supplementary basis, including the Commercial Code (*Código de Comercio*), the Federal Civil Code (*Código Civil Federal*), the Federal Economic Competition Law (*Ley Federal de Competencia Económica* – LFCE), the Consumer Protection Act (*Ley Federal de Protección al Consumidor*) and the Federal Law for the Protection of Personal Data Held by Private Parties (*Ley Federal de Protección de Datos Personales en Posesión de los Particulares*), among others, depending on the nature of the franchise. For example, the LFCE may apply where the franchise relationship involves competition-related matters.

1.3 Definition of a Franchise Agreement

A franchise exists when, pursuant to a written trade mark licence, technical know-how is transferred or technical assistance is provided so that the licence holder may produce or sell goods, or provide services, in a uniform manner and in accordance with the operating, commercial and administrative methods established by the trade mark owner, with the purpose of maintaining the quality, reputation and image associated with the products or services identified by the trade mark.

The foregoing definition identifies four essential elements that, taken together, constitute a franchise.

- First, there must necessarily be a trade mark licence; a franchise cannot exist without one.
- Second, there must be a transfer of know-how or the provision of technical assistance. The franchisee is not merely granted the right to use the trade mark, but also receives know-how, training, manuals and operating methods.
- Third, the business must be operated uniformly, as the franchisee must produce, sell, or provide services in accordance with the operating commercial and administrative methods established by the franchisor.
- Finally, preservation of the brand's identity is essential, as the franchise model seeks to maintain the quality, reputation and image associated with the brand.

2. Franchise Disclosure

2.1 Mandatory Disclosure

The LFPPI establishes a statutory pre-contractual disclosure obligation, under which a franchisor must provide the prospective franchisee, at least 30 business days prior to entering into the franchise agreement, with information regarding the status of its business, in accordance with the disclosure requirements set forth in the Regulations to the LFPPI.

The regulations establish the technical, economic and financial information that must be disclosed, including:

- the name, corporate name or legal name, address and nationality of the franchisor;
- a description of the franchise;
- the length of time the original franchisor and, where applicable, the master franchisor have been operating the business that is the subject of the franchise;
- the intellectual property rights involved in the franchise;
- the amounts and concepts of the payments to be made by the franchisee to the franchisor;
- the types of technical assistance and services that the franchisor must provide to the franchisee;
- the geographic territory in which the franchise will operate;
- whether the franchisee has the right to grant sub-franchises to third parties and, where applicable, the requirements that must be satisfied to do so;
- the franchisee's obligations regarding confidential information provided by the franchisor;
- information regarding whether the franchised business derives from a master franchise agreement, development agreement, multi-unit agreement or similar arrangement;
- the obligations and rights of the franchisee arising from the execution of the franchise agreement;

- the general amounts of payments and the expected investment payback period;
- the number of company-owned and franchised units; and
- the number of units that have been opened, relocated, transferred or closed.

The law does not prescribe a specific disclosure format or a single mandatory method of delivery. From a legal standpoint, what is material is that the required information is provided within the statutory period and that delivery can be duly evidenced.

2.2 Consequences of a Failure to Disclose

With respect to lack of compliance with the disclosure obligation, applicable Mexican law provides for consequences in two principal circumstances.

- First, where the disclosed information is inaccurate or untrue, the franchisee may seek the nullity of the franchise agreement and claim damages arising from such non-compliance. The franchisee may exercise these rights within one year from the execution of the franchise agreement. After such period, the franchisee may only seek nullity of the agreement.
- Second, failure to provide the required disclosure information may also result in the nullity of the franchise agreement, as well as an administrative infringement resulting in penalties, provided that the applicable statutory period has elapsed and the franchisor has been formally requested to provide such information.

2.3 Franchise Disclosure Exemptions

There are no exemptions from the disclosure obligation under Mexican law.

2.4 Franchise Disclosure Language/ Translation Requirements

Mexican law does not expressly require pre-contractual disclosure information to be provided in Spanish. However, as a matter of practice, it is advisable to either provide a Spanish version or include a statement in the English version confirming that the franchisee understands the contents of the document or has obtained appropriate legal advice regarding its contents.

3. Franchise Registration

3.1 Mandatory Registration

A franchisor is not required to obtain any prior registration or governmental approval in order to offer or operate a franchise in Mexico. Mexico does not have a separate franchise registration law; rather, franchises are regulated under the LFPPI, which governs, among other matters, franchise disclosure requirements, the minimum contents of franchise agreements and the possibility of recording a franchise with the Mexican Institute of Industrial Property (*Instituto Mexicano de la Propiedad Industrial* – IMPI).

Neither the franchisor nor the FDD is required to be registered or filed with IMPI as a condition to offer or operate a franchise in Mexico. A franchise agreement may nevertheless be recorded with IMPI. Such recordal does not constitute authorisation to offer or operate the franchise, and the agreement remains valid and binding between the franchisor and franchisee without it. However, in many instances recordal is required for the agreement to be enforceable against third parties.

3.2 Franchise Registration Process

Where the parties elect to record the franchise, either the franchisor or the franchisee may file the application with IMPI. The application must identify both parties and state the franchisee's nationality and address. It must be accompanied by an original or certified copy of the franchise agreement bearing the parties' signatures.

To protect commercially sensitive information, the copy submitted to IMPI may omit provisions concerning royalties and other considerations, confidential information relating to the methods or channels used to distribute and market the relevant goods or services, and technical-information annexes.

The application must be signed and comply with IMPI's general filing requirements. These include use of the applicable official form, payment of the government fee, a Mexican address for notices, an email address, evidence of the signatory's authority where applicable, Spanish translations of foreign-language documents, etc. Applications may be submitted physically or through an electronic service made available

by IMPI; electronic submissions must use a signature recognised by the Institute.

An unsigned application is dismissed without an opportunity to cure. If proof of payment is missing, the applicant is given five business days to provide it. Other formal deficiencies generally carry a two-month cure period.

For deficiencies concerning the specific franchise-recordal requirements, IMPI issues a single office action, and the applicant has two months, beginning on the business day after notice takes effect, to correct them.

An incomplete or late response results in dismissal. IMPI must decide the application within two months from filing or, if a deficiency was raised, from the date on which the last requirement was satisfied.

3.3 Consequences of a Failure to Register

Because recordal is optional, failure to record a franchise agreement does not invalidate the agreement, prevent the franchise relationship from commencing or, by itself, give rise to a franchise-specific fine. The agreement remains valid and binding between the franchisor and franchisee. However, without recordal it does not have effect against third parties, meaning that it cannot be asserted against anyone outside the contractual relationship.

Nevertheless, recordal is advisable, particularly where the franchisor does not have a direct presence in Mexico, since it may serve as evidence that the franchisee is authorised to use the franchisor's trade mark in Mexico and may assist the franchisor in demonstrating use of the trade mark, including for purposes of the declaration of use or in the event that such use is challenged.

4. Other Requirements

4.1 Past-Profitability Requirements

Mexican franchise law does not require a franchisor to have operated for a minimum period, maintain a minimum number of outlets, demonstrate a history of profitability or satisfy a specified financial threshold before granting a franchise. A start-up or relatively new business is therefore not legally prevented from franchising solely because it lacks a prescribed operating history or profit record.

However, the Regulation of the Federal Law for the Protection of Industrial Property (*Reglamento de la Ley Federal de Protección a la Propiedad Industrial* – the "Regulation") requires disclosure of information concerning:

- the franchisor's operating history;
- the structure from which the franchise derives;
- general payment amounts and anticipated investment-recovery periods;
- the number of company-owned and franchised outlets; and
- the number of outlets opened, relocated, transferred and closed.

These are transparency requirements, not eligibility tests: neither the LFPPI nor its Regulation prescribes a minimum business age, outlet count or level of profitability. Voluntary industry-certification schemes may apply separate commercial criteria, but they are not legal prerequisites to franchising in Mexico.

5. Duration, Renewal and Termination

5.1 Duration of a Franchise Agreement

Mexican law does not prescribe a minimum or maximum duration for a franchise agreement. The parties may therefore agree on either a fixed term or an indefinite term. Notwithstanding the foregoing, the statute expressly contemplates that if the franchise agreement is entered into for an indefinite term, then either party may terminate the relationship unilaterally without cause.

5.2 Franchise Renewal

Mexican law does not grant a franchisee an automatic statutory right to renew a franchise agreement when its fixed term expires. The LFPPI regulates the matters that must be addressed in the agreement and restricts its early termination, but it does not require the franchisor to grant a new term upon expiry. Renewal rights, eligibility conditions, notice periods and renewal fees

are therefore matters for the parties to establish in the franchise agreement.

Mexican law does not require the franchisor to compensate the franchisee merely because a fixed-term franchise agreement expires without renewal. This should be distinguished from an early termination during the agreed term, which is subject to the restrictions described in **5.3 Termination of the Franchise Agreement**. If the agreement grants the franchisee a renewal option or requires the franchisor to renew once specified conditions are satisfied, a refusal to honour that commitment may constitute a breach of contract and give rise to contractual remedies.

Mexico does not have a general federal commercial agency statute providing an automatic customer-base or goodwill indemnity upon expiry or non-renewal. Any compensation would therefore require a contractual commitment, a breach of contract or another legal basis applicable to the particular circumstances.

5.3 Termination of the Franchise Agreement

The franchisor does not have an unrestricted right to terminate a Mexican franchise agreement before its agreed expiry date. The LFPPI applies the same rule to both parties: neither the franchisor nor the franchisee may unilaterally terminate or rescind the agreement unless it was entered into for an indefinite term or there is just cause for doing so. Any early termination or rescission must also follow the grounds and procedures established in the franchise agreement.

The restriction therefore protects the franchisee as well as the franchisor. A franchisee may invoke just cause and the contractual termination mechanisms agreed by the parties, subject to the applicable contractual procedures. Because the LFPPI does not provide an exhaustive definition of just cause, the franchisor should ensure that material defaults, cure periods, notices and the termination procedure are drafted with sufficient clarity to comply with the statutory framework. A termination made contrary to these requirements may give rise to the contractual penalties agreed by the parties or, instead, damages caused by the improper termination.

The franchisee also has a separate statutory remedy if the mandatory pre-contractual information provided by the franchisor was untruthful. In that case, the franchisee may seek nullity of the agreement and claim damages. The damages claim must be brought within one year after execution of the agreement; after that period, the franchisee retains the right to seek nullity.

Although nullity is legally distinct from contractual termination, it provides the franchisee with an additional statutory means of challenging and bringing the relationship to an end.

6. Restrictions on Competition in Franchise Agreements

6.1 Treatment of Competition Restrictions in Franchise Agreements

Under Mexican competition law, restrictions contained in franchise agreements are not prohibited per se. However, a vertical restriction may constitute a "relative monopolistic practice" where it:

- falls within any of the cases set forth in Article 56 of the LFCE;
- is implemented by any individual or entity – either for profit or non-profit – or by any federal, state or municipal public administration agency or entity, association, business chamber, professional association, trust or any other form of participation in economic activity ("economic agent") with substantial market power in the relevant market; and
- has or may have the purpose or effect of improperly displacing other economic agents, substantially preventing their access to the market, granting exclusive advantages or improperly limiting their ability to compete.

Even where these three elements are satisfied, the LFCE applies a rule-of-reason analysis: the conduct will not be unlawful if the economic agent demonstrates that it generates efficiency gains that have a favourable impact on competition and free concurrence, outweigh its potential anticompetitive effects and result in an improvement in consumer welfare. In practice, restrictions inherent to a franchise system, such as the protection of brand identity, quality control

and franchisee-specific investment, generally fit within this efficiency analysis, provided the restriction is not intended to exclude competitors.

6.2 Exclusive Territories and Competing Businesses

Exclusive Territories

Exclusive territories may be included in franchise agreements, provided that they do not result in an unlawful restriction of competition. Article 56, Section I, of the LFCE expressly identifies, among the circumstances that may constitute a relative monopolistic practice (provided that the other applicable elements are satisfied), "the fixing, imposition or establishment of the exclusive commercialisation or distribution of goods or services, by reason of the person, geographic location or for specified periods, including the division, distribution or allocation of customers or suppliers".

Accordingly, granting an exclusive territory to a franchisee is not prohibited as a matter of contract and would generally only be subject to challenge if the franchisor had substantial market power and the territorial exclusivity had the purpose or effect of improperly displacing competitors or foreclosing the market. This would be an uncommon scenario in typical franchise networks, which generally compete with other brands operating in the same industry.

It should also be noted that the LFPPI and its Regulations require the franchise disclosure document to expressly include "the territorial area in which the franchise will operate". Therefore, whether the territory is exclusive or non-exclusive is, in practice, an element that the law contemplates being documented from the pre-contractual stage.

Non-Compete During the Franchise Term

A restriction preventing a franchisee from operating a competing business during the term of the franchise may generally be justified as a vertical contractual restriction intended to protect the franchisor's business model, know-how, trade marks and other legitimate interests. Nevertheless, if imposed by an Economic Agent with substantial market power, and if its scope or effects satisfy the requirements of Articles 54 and 56 of the LFCE, it could be scrutinised as a potential relative monopolistic practice.

Post-Termination Non-Compete

A one-year post-termination non-compete restriction is not automatically prohibited under Mexican antitrust law. Its enforceability and competition-law risk would depend, among other factors, on its geographic and product scope, the activities covered, the parties' market position and whether the restriction is reasonably connected to the protection of legitimate franchise interests.

Mexican antitrust authorities have recognised, in the context of M&A transactions, that non-compete clauses may be permissible when appropriately limited in terms of the persons, products, geographic area and duration covered, and when closely related and necessary to protect the transaction. Although that precedent concerns mergers rather than franchise agreements, it provides a useful indication of the authority's approach to assessing the proportionality of non-compete restrictions.

Accordingly, a one-year restriction should not be viewed as automatically permissible merely because of its duration; its overall scope and potential competitive effects should also be considered.

6.3 Requiring Franchisees to Purchase Specific Goods and Services

Article 56 of the LFCE identifies as potential relative monopolistic practices both "a sale or transaction conditioned on the purchase, acquisition, sale or provision of another good or service, normally different or distinguishable" and "a sale, purchase or transaction subject to the condition of not using, acquiring, selling, marketing or providing goods or services produced, processed, distributed or marketed by a third party".

Nevertheless, a franchisor may require franchisees to purchase specified goods or services from the franchisor or designated suppliers, particularly where the requirement is reasonably related to maintaining uniformity, quality, safety, brand standards or other legitimate characteristics of the franchise system.

However, in certain cases, such requirements may raise competition-law concerns where they effectively impose exclusivity or constitute a tied sale. A Mexican competition precedent is particularly relevant in the franchising context. In the

PEMEX-Refinación case, the competition authority found that requiring gas-station franchisees to use PEMEX's transportation services as a condition for obtaining fuel constituted a tied sale, as the arrangement prevented franchisees from selecting alternative service providers.

6.4 Channel Reservation

A franchisor may, in principle, reserve particular sales or distribution channels for itself, including online channels. However, the competition-law analysis will depend on the structure and effects of the reservation.

A reservation of the internet or another channel could potentially constitute a form of vertical market segmentation or exclusivity if it restricts franchisees from selling through that channel or reserves particular customers or geographic markets to the franchisor. Such restrictions may fall within Article 56 of the LFCE where the statutory requirements for a relative monopolistic practice are met.

Accordingly, a channel reservation should be assessed based on the relevant market, the franchisor's market power, the extent of the restriction, the ability of franchisees and competing businesses to reach consumers through alternative channels and any efficiency or legitimate business rationale supporting the arrangement. A limited reservation of a channel for the franchisor would not, by itself, constitute a violation of the LFCE.

In practice, the reservation of digital channels by the franchisor is common and may be defensible as a legitimate aspect of the design of the franchise system, including to avoid cannibalisation among franchisees and internal price competition.

6.5 Vertical Agreement Block Exemptions

Mexico is not a member of the European Union and, therefore, the Vertical Block Exemption Regulation (VBER) does not apply. The LFCE does not provide for an automatic category-based exemption or "block exemption" equivalent to the European regime, nor does it establish a market-share threshold that would provide an automatic "safe harbour".

Instead, vertical restraints are assessed under the framework applicable to relative monopolistic practices, as explained in **6.1 Treatment of Competition Restrictions in Franchise Agreements**. Consequently, there is no automatic Mexican exemption applicable to franchise agreements as a category. Each restriction should instead be assessed individually, taking into account the relevant market, the parties' market power, the scope and duration of the restriction, its potential effects on competition and the efficiencies or other pro-competitive justifications associated with it. The fact that a franchise network covers the entire Mexican territory does not, by itself, exempt its contractual restrictions from the LFCE.

7. Joint Employer Risk and Vicarious Liability

7.1 Joint Employer Laws

There are no Mexican judicial decisions in which a franchisor has been held jointly liable with a franchisee for employment-related claims. Nevertheless, in light of existing criteria regarding joint and several employments liability, it is advisable for franchise agreements to expressly provide that the franchisee is solely responsible for the hiring, compensation, supervision, management and termination of its personnel.

The agreement should also expressly state that:

- no employment relationship exists between the franchisor and the franchisee's employees;
- no agency, representation or partnership relationship exists between the franchisor and such employees;
- the franchisee must comply with all applicable employment, social security and tax obligations; and
- the franchisee must indemnify and hold the franchisor harmless for any employment-related claims brought by its employees.

In addition, the franchisor's supervisory training and technical assistance rights should be clearly limited to matters concerning the franchise's standards and operations, ensuring that the exercise of such rights does not result in the direction, management or subordination of the franchisee's personnel.

7.2 Vicarious Liability

In Mexico, there is no general rule under which a franchisor is liable for losses or damages caused by a franchisee solely by virtue of the existence of a franchise relationship. Mexican law recognises the contractual and private law nature of the relationship between franchisor and franchisee, with both parties acting as legally independent entities.

Although a franchisor may exercise a certain degree of oversight over the franchisee's organisation and operations to ensure compliance with the franchise's administrative, operational and brandings standards, such oversight does not give rise to liability for the franchisee's acts.

The potential liability of the franchisor towards third parties would depend on the specific circumstances of the case. For example, liability could potentially arise where there is a clear employment subordination relationship between the franchisor and the franchisee's employees, and the contractual arrangements have not adequately addressed or limited the corresponding risk.

8. Choice of Governing Law

8.1 Possibility of a Franchisor Stipulating Non-Local Law

Under Mexican law, the parties may agree to apply the laws of a foreign jurisdiction to a franchise agreement, provided that such choice of law is not intended to circumvent Mexican provisions of public policy or mandatory application.

8.2 Local Law Requirements

The LFPPI does not require franchise agreements to be governed by Mexican law. On the contrary, Mexican civil law recognises the parties' right to validly designate a different governing law in their agreements.

8.3 Mandatory Content

Article 246 of the LFPPI requires franchise agreements to be executed in writing and establishes the minimum requirements that such agreements must contains, as follows:

- the geographic territory in which the franchisee will conduct the activities contemplated under the agreement;
- the location, minimum size and characteristics of the infrastructure investments required for the establishment where the franchisee will conduct the activities contemplated under the agreement;
- the inventory, marketing and advertising policies, as well as provisions regarding the supply of goods and engagement of suppliers, where applicable;
- the policies, procedures and time periods applicable to reimbursements, financing and other consideration payable by the parties pursuant to the terms agreed in the contract;
- the criteria and methods applicable to determining the franchisee's profit margins or commissions;
- the characteristics of the franchisee's technical and operational training, as well as the method or manner in which the franchisor will provide technical assistance;
- the criteria, methods and procedures for supervision, reporting, performance evaluation and assessment, as well as the quality of the services to be provided by the franchisor and the franchisee;
- the terms and conditions applicable to the granting of subfranchises, if agreed by the parties;
- the grounds for termination of the franchise agreement; and
- the circumstances under which the terms or conditions of the franchise agreement may be reviewed and, where applicable, amended by mutual agreement of the parties.

Likewise, applicable Mexican law recognises the right to terminate a franchise agreement for breach, provided that the agreement is for an indefinite term and there is just cause. Any early termination of right should be aligned with the grounds and procedures

established in the franchise agreement, as well as the parties' right to seek damages and losses before a court in the event of a breach of contract.

8.4 Prohibited Provisions in Local Law

There is no specific list of prohibited provisions that may not be included in a franchise agreement. However, this does not mean that the parties have unrestricted freedom to agree to any provision. Certain legal limitations apply, and provisions that exceed such limits may be deemed invalid.

First, the provisions of a franchise agreements may not contravene public policy, including matters that are unlawful or contrary to good morals. Second, franchise agreements may also be subject to the LFCE, which is particularly relevant because provisions concerning pricing, exclusivity, territorial restrictions, suppliers, customers or distribution may be permissible or impermissible depending on their structure and effects on the relevant market.

9. Dispute Resolution

9.1 Enforcement of Foreign Judgments

Foreign judgments are not automatically enforceable in Mexico. To be enforced, they must first go through a recognition and enforcement proceeding before a Mexican court, in accordance with the National Code of Civil and Family Procedure and the Commercial Code. The Mexican court will not review the substance of the case or reconsider the decision made by the foreign court. Instead, it will verify that:

- certain formal requirements have been met, including that the foreign court had jurisdiction under rules compatible with Mexican law;
- the defendant was properly notified of the proceeding and had an opportunity to defend themselves;
- the judgment is final and binding;
- there are no other proceedings involving the same matter pending before a court;
- enforcement would not violate Mexican public policy; and
- there is reciprocity with the country where the foreign judgment was issued.

Foreign arbitral awards are generally subject to a more straightforward and arbitration-friendly process for recognition and enforcement in Mexico. A foreign arbitral award may be recognised and enforced by a Mexican court upon submission of the duly authenticated original award or a certifies copy, together with the original arbitration agreement. Where required, these documents must also be accompanied by a translation prepared by an officially authorised expert.

Mexico has been a party to the New York Convention since 14 April 1971. Under this framework, recognition and enforcement of foreign arbitral awards may be refused in certain circumstances, including where:

- the arbitration agreement was invalid or a party lacked legal capacity to enter into it;
- a party was not given a proper opportunity to present its case;
- the award goes beyond what the parties agreed to submit to arbitration;
- there were irregularities in the appointment of the arbitrators or in the arbitration proceedings;
- the award is not yet binding or has been annulled or set aside in the country where it was issued;
- Mexican law does not allow the particular matter to be resolved through arbitration; or
- enforcement could be contrary to Mexican public policy.

10. Payment and Taxes

10.1 Restrictions or Limits on Franchisee Fees and Royalties

Mexican law does not establish a maximum statutory cap on royalties, initial franchise fees or service fees, nor does it impose an annual maximum on payments denominated in foreign currency. The parties are generally free to agree on the amount, currency and payment frequency pursuant to the principle of contractual freedom.

However, the LFPPI and its regulations require the franchisor, at the pre-contractual stage, to disclose in the franchise disclosure document the "amounts and concepts of the payments that the franchisee must pay to the franchisor" and the "general amounts of

payments and investment return periods". Accordingly, the regulatory framework focuses on pre-contractual disclosure rather than imposing substantive caps on royalty amounts. Any practical limitation would therefore result from commercial negotiation rather than from a mandatory statutory provision.

10.2 Withholding Tax

Tax withholding obligations may apply to royalty and technical assistance payments made by a Mexican franchisee to a foreign-resident franchisor that does not have a permanent establishment in Mexico.

Pursuant to the Income Tax Law (*Ley del Impuesto sobre la Renta* – LISR), royalties and payments for technical assistance are generally subject to a 25% withholding tax (subject to certain exceptions), calculated on gross income without deductions. This rate may be reduced (up to 10%) where an applicable international tax treaty to avoid double taxation between Mexico and the franchisor's country of residence applies, provided that the applicable formal requirements, including evidence of tax residence, are satisfied.

10.3 Foreign Currency Controls

Mexico does not impose foreign exchange controls or currency restrictions that generally prohibit, limit or condition the payment of royalties or franchise fees to non-Mexican residents. Accordingly, royalty and franchise fee payments may generally be made abroad without obtaining prior authorisation from *Banco de México* ("Banxico").

Nevertheless, under the Monetary Law of the United Mexican States, obligations denominated in a foreign currency and payable in Mexico may generally be discharged by delivering the equivalent amount in Mexican pesos at the applicable exchange rate, as published by *Banco de Mexico* in the Official Gazette of the Federation on the date of payment. Accordingly, where the parties intend royalties or franchise fees to be calculated and paid in a foreign currency, the relevant franchise agreement should expressly specify the currency of denomination and payment, as well as the applicable payment mechanics and exchange rate, as appropriate.

Although there are generally no foreign exchange restrictions on remitting royalty or franchise fee payments abroad, payments made by a Mexican resident to a non-Mexican resident may be subject to Mexican withholding tax, depending on the nature of the payment, the tax residence of the recipient and any applicable income tax treaty.

11. Execution Formalities

11.1 Authentication, Notarisation, Witnessing, Etc

A Mexican franchise agreement must be in writing and signed by the parties to be bound, either directly or through duly authorised representatives. Mexican law does not require the signatures to be notarised or otherwise authenticated, nor does it require witnesses.

No filing with IMPI or another public registry is required as a condition to the execution or validity of the franchise agreement. Accordingly, a private written agreement signed by authorised parties is sufficient.

11.2 Electronic Signatures

Electronic signatures may be used to execute franchise agreements in Mexico. Although the LFPPI requires a franchise agreement to be in writing, the Commercial Code provides that this requirement may be satisfied by a data message if the information remains integral and accessible for subsequent consultation. Where a signature is required, the electronic signature must also permit the document to be attributed to the relevant party.

Accordingly, an electronic-signature platform such as DocuSign may be used. Its validity does not depend on the platform's brand, but on whether the signing method is appropriate for the transaction and provides reliable evidence of the signatory's identity and consent, the attribution of the document, and the integrity and accessibility of the executed agreement. Keeping any authentication records, timestamps and audit trail generated by the platform may help demonstrate the attribution and integrity of the executed agreement.

An advanced or reliable electronic signature is not mandatory for every franchise agreement. However,

where one is used, the Commercial Code provides enhanced reliability criteria, including the signatory's exclusive control over the signature data and the ability to detect subsequent alterations to the signature or the document.

Mexican federal courts have also recognised that an electronic signature meeting the statutory reliability requirements may constitute a valid source of commercial obligations. Although that decision was not franchise-specific, its reasoning supports the use of properly implemented electronic execution rather than requiring a wet-ink signature solely because the document is a franchise agreement.

11.3 Stamp Duties

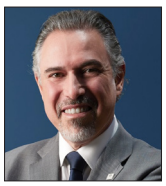
Mexico does not impose a general stamp duty or documentary tax on the execution of a private franchise agreement. Consequently, no document tax must be paid as a condition to sign or validate a standard franchise agreement.

Trends and Developments

Contributed by:
Gustavo A. Alcocer, Luis Astorga, Isabella Montero Torres and Fernanda Martínez Zolezzi
OLIVARES

OLIVARES is a leading Mexican law firm with nearly 60 years of experience, based in Mexico City, with 11 partners and more than 31 associates and professionals, including a franchising team. With long-standing strength in intellectual property and well-established corporate and commercial practices, OLIVARES advises domestic and international clients on franchising, sales and distribution, and related business transactions in Mexico. Its franchising practice covers franchise structuring, agreements and disclosure requirements, trade mark licensing, know-how protection, royalties, distribution, development obligations, sub-franchising and cross-border expansion. The firm's expertise in patents, trade marks, copyrights and litigation, together with its industry experience in life sciences, entertainment and emerging technologies, enables it to address the IP, contractual, operational and regulatory aspects of franchise relationships. Recent work includes advising international franchise systems, particularly in food and beverage, on expansion and operations in Mexico, including franchise documentation, development obligations, sub-franchising, amendments and related trade mark matters.

Authors



Gustavo A. Alcocer leads the corporate and commercial law group at OLIVARES and has extensive experience advising domestic and international clients on franchising and related commercial matters in Mexico. With over 30 years of law firm and in-house experience, his practice encompasses corporate and commercial law, M&A, franchise structures, international sales, supply and distribution agreements, and expansion strategies. He has particular experience in IP-intensive businesses, advising clients on leveraging and monetising intellectual property, data, software, digital assets and emerging technologies, including AI. Gustavo combines his transactional experience with an understanding of evolving business models to help clients structure and expand their operations in Mexico.



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Franchising in Mexico in 2026: Digital Growth and an Updated Disclosure Framework

Introduction

Mexico remains an important market for international franchise systems seeking to expand in Latin America. Franchising provides a relatively flexible mechanism for introducing established brands and business models into the Mexican market while allowing local operators to contribute capital, management and knowledge of local consumers. At the same time, the Mexican franchise environment is becoming more complex as traditional, location-based business models increasingly intersect with e-commerce, digital marketing, competition law and more sophisticated consumer expectations.

Mexico does not have a standalone franchise code. Instead, franchising is regulated under the Federal Law for the Protection of Industrial Property (*Ley Federal de Protección a la Propiedad Industrial*, or LFPPI), supplemented by rules concerning intellectual property, competition, commercial contracts, consumer protection, personal data, taxation, employment and sector-specific regulation. The LFPPI establishes the basic legal framework for franchise relationships, including the definition of a franchise, pre-contractual disclosure, mandatory contractual provisions and certain rules governing the relationship between franchisors and franchisees.

Against this background, the most relevant developments for businesses considering franchising in Mexico concern not so much the creation of a new franchise-specific regulatory regime, but the way in which existing rules interact with a rapidly changing commercial environment. In particular, prospective franchisors should consider the increasing importance of digital sales channels, the allocation of territorial rights in an omnichannel business, competition-law restrictions within franchise networks, data protection, consumer protection and the structuring of international and multi-unit franchise arrangements.

The 2026 franchise disclosure update

Mexico's franchise disclosure law was updated in 2026. Amendments to the industrial property framework were published in April, followed by a new implementing Regulation that entered into force on 22 July 2026. The new rules expand the technical, economic and financial information that franchisors must provide to prospective franchisees during the hold period of at least 30 business days before the franchise agreement is executed.

The expanded disclosure covers, among other matters:

- whether the proposed franchise derives from a master franchise, development, multi-unit or similar arrangement;
- the prospective franchisee's rights and obligations;
- general payment amounts and investment-recovery periods; and
- network data, including company-owned and franchised units and units opened, relocated, transferred or closed.

Franchisors should therefore review and update their Mexican disclosure materials before making an offer, as untruthful or incomplete disclosure items may support claims for nullity and damages.

A franchise market in transition

Franchising continues to provide an important route for domestic and international brands seeking to establish a presence in Mexico. The model allows franchisors to expand through independently owned and operated businesses while maintaining a degree of control over branding, products, services and operating standards. For entrepreneurs, private equity, institutional investors and other prospective franchisees, the model provides access to an established brand, operating know-how, technical assistance and a business format that may otherwise take substantial time and resources to develop independently.

Nevertheless, the Mexican market is changing. Consumers increasingly interact with brands through a combination of physical stores, websites, mobile applications, social-media channels, delivery platforms and online marketplaces. This has transformed the practical meaning of a "franchise territory" and has made the allocation of online sales, customer data, marketing responsibilities and digital channels increasingly important.

The development of digital commerce is particularly relevant. Mexican regulators have increasingly focused on the operation of online markets and the protection of consumers in digital transactions.

These developments are relevant to franchising even where the franchise itself is not a digital business. A franchisor that operates a centralised website, mobile application or marketplace account may affect the ability of individual franchisees to sell through competing channels. Similarly, a franchisee may expect to benefit economically from online orders generated within its territory, while the franchisor may wish to retain control over national e-commerce operations.

As a result, a modern Mexican franchise agreement should be viewed as more than an instrument for licensing a trade mark and related know-how and collecting royalties. It should establish a framework for managing physical and digital operations, intellectual property, territorial rights, technology, data, supply chains, marketing, quality control and changes to the business model.

Intellectual property: protecting the franchise before launch

Intellectual property is the foundation of most franchise systems. The trade mark is generally the most visible component of the franchise, but the value of the system may also depend on proprietary manuals, recipes, designs, software, marketing materials, domain names, know-how and other confidential information.

The LFPPI regulates trade marks and related intellectual property rights, while the Mexican Institute of Industrial Property (*Instituto Mexicano de la Propiedad Industrial*, or IMPI) administers the relevant registration and enforcement system. Before launching a franchise in Mexico, an international franchisor should confirm that the principal marks are protected in Mexico and that ownership is properly aligned among the relevant entities.

Copyright in manuals, software and marketing materials is governed separately by the Federal Copyright Law, while confidential know-how may also qualify for protection as an industrial secret under the LFPPI. This is particularly important where the brand owner, franchisor and regional master franchisee are different companies. The agreement should clearly identify which entity owns each relevant intellectual property right and which entity is authorised to licence it to the Mexican franchisee.

Intellectual property protection is also becoming broader as franchise operations become increasingly digital. Franchise systems should consider ownership and control of domain names, social-media accounts, online advertising accounts, customer-facing applications, digital content and proprietary technology. The parties should also establish what happens to these assets when the franchise relationship ends.

Digitalisation and the rise of omnichannel franchising

Perhaps the most significant commercial development affecting franchising is the transition from a purely physical franchise model to an omnichannel model.

A customer may discover a brand through social media, place an order through the franchisor's website, pay through a centralised platform, have the product prepared by a local franchisee and receive it through a third-party delivery service. Each step may involve different contractual relationships and different legal responsibilities.

This creates questions that traditional franchise agreements often do not adequately address. For example, who owns the customer relationship? Who receives the revenue? Is the sale attributed to the franchisee whose territory contains the customer, the location that fulfilled the order or the franchisor operating the online platform? Who bears responsibility for refunds, complaints and delivery failures? These questions should be expressly addressed.

Territorial rights in a digital environment

The geographical territory is one of the matters that must be addressed in a Mexican franchise agreement. Historically, territorial provisions focused primarily on physical premises and restrictions on opening competing locations. Digital commerce has made these provisions considerably more complicated.

A franchise agreement should therefore distinguish between physical exclusivity and digital rights. Depending on the business model, the parties may wish to establish rules concerning:

- online sales to customers located within a franchisee's territory;
- sales through the franchisor's centralised website or application;
- sales through third-party marketplaces;
- delivery areas and overlapping delivery zones;
- attribution of online revenue and royalties;
- national or regional advertising campaigns;
- the franchisor's ability to operate company-owned online channels; and
- the appointment of additional franchisees or company-owned locations.

Clear rules can prevent disputes over whether the franchisor's national digital strategy undermines the economic value of the franchisee's territorial rights.

Data protection and technology governance

Technology is increasingly embedded in franchise operations through point-of-sale systems, customer relationship management platforms, loyalty programmes, inventory systems, online ordering and analytics.

These systems generate information that may have substantial commercial value. They may also involve personal data belonging to customers, employees and other individuals.

The Federal Law for the Protection of Personal Data in Possession of Private Parties regulates the lawful, controlled and informed processing of personal data by private entities and establishes obligations concerning the treatment and protection of such information.

For franchise systems, the principal issue is often not whether data protection rules apply, but how responsibility is allocated between the franchisor, franchisee and technology providers.

The increasing use of centralised customer databases also raises a commercial question concerning the value of customer relationships. A franchisee may expect to retain access to information generated through its location, while the franchisor may require centralised access to maintain a national loyalty programme or customer-management system. These rights should be addressed at the contractual level.

A new federal private-sector data protection law was published in March 2025 and was last amended in November 2025. It continues to require privacy notices and consent where applicable, and specifically requires controllers to maintain administrative, technical and physical safeguards and to notify individuals immediately of security incidents that significantly affect their economic or moral rights. Franchise agreements and operating manuals should therefore allocate responsibility for cybersecurity standards, vendor oversight, incident notification and co-operation, access to shared systems, and the return or deletion of data when the relationship ends.

Competition law and franchise restrictions

Franchising inherently involves restrictions on how franchisees conduct their businesses. A franchisor may require purchases from approved suppliers, impose quality standards, establish territorial arrangements, restrict the use of competing brands or coordinate certain aspects of marketing and distribution.

These restrictions can be commercially justified, but they must be assessed under Mexican competition law. In other words, the implication for franchisors is not that territorial exclusivity, supplier restrictions or pricing provisions are automatically prohibited. Rather, the analysis depends on the relevant market, the parties' market position, the nature and duration of the restriction and its actual or potential effects.

Consumer protection and e-commerce

Franchise networks are ultimately consumer-facing businesses, and the fact that a consumer contracts with or purchases from a franchisee does not eliminate the importance of the broader consumer-protection framework.

The Federal Consumer Protection Law (*Ley Federal de Protección al Consumidor*, or LFPC) regulates matters including advertising, pricing, promotions,

warranties, consumer contracts and electronic transactions. These requirements become particularly relevant where a franchise operates through websites, applications or online marketplaces.

Franchisors should consider establishing standardised procedures for advertising, promotional claims, price displays, refunds, warranties, customer complaints and online terms. Franchisees should, in turn, understand which obligations they are responsible for implementing locally and which are managed centrally by the franchisor.

A December 2025 consumer-protection amendment introduced specific requirements for online services involving recurring charges. Providers must clearly disclose the frequency, amount and date of collection, obtain express and informed consent, give consumers at least five calendar days' notice of an automatic renewal so they may cancel without penalty and provide a mechanism for immediate cancellation. Franchise systems using memberships or subscription models should ensure that their digital platforms, customer-service processes and contract terms comply with these requirements.

International franchising and market entry

Mexico can be an attractive jurisdiction for foreign franchisors, but international franchise systems should not assume that an agreement developed for another jurisdiction can simply be translated into Spanish and used in Mexico.

The Mexican structure should be reviewed at the outset to determine:

- which entity will own the Mexican franchise rights;
- which entity owns the trade marks and other intellectual property;
- whether the arrangement is a direct franchise, master franchise, area-development arrangement or another structure;
- how disclosure requirements will be satisfied;
- how royalties and other payments will be structured;
- what Mexican tax and withholding rules apply;
- whether imported products or equipment will be required;
- which local permits and regulatory approvals are necessary;
- how employment and operational responsibilities will be allocated; and
- how disputes, termination and post-termination rights will be handled.

Tax considerations are also relevant to international structures, particularly where royalties, technical assistance fees or other payments are made from Mexico to a foreign franchisor or affiliate. The parties should evaluate Mexican withholding tax, value added tax, transfer-pricing and treaty considerations based on the specific structure.

Foreign exchange issues should also be considered when the franchise agreement requires payments in US dollars or another foreign currency. Mexico does not generally impose foreign-exchange controls preventing ordinary cross-border royalty payments, but the parties should nevertheless address currency, payment mechanics, applicable taxes and evidence required for accounting and tax purposes.

Multi-unit franchising and development structures

Another relevant trend is the use of more flexible development structures. Rather than granting only individual single-unit franchises, franchisors may use area-development agreements, multi-unit development arrangements or master franchise structures to accelerate expansion.

These models can be particularly useful in Mexico because of the geographic size and diversity of the market. A franchisee capable of developing several locations may provide the franchisor with a more efficient expansion strategy, while the franchisee may benefit from greater territorial or development rights.

The principal risk is that development obligations may become disconnected from the franchisee's actual financial and managerial capacity. Development agreements should therefore establish realistic opening schedules, minimum investment requirements, milestones, approval procedures and consequences for failure to develop the agreed number of locations.

Where a master franchise structure is contemplated, the parties should also clearly allocate responsibility for local franchise agreements, disclosure, training, intellectual property protection, compliance and enforcement.

Supply chains, sustainability and operational resilience

Supply-chain considerations are becoming increasingly important to franchise networks. A franchise may depend on imported products, proprietary ingredients, specialised equipment or centralised suppliers. Disruptions affecting logistics, customs, availability or costs can therefore have an immediate impact across the network.

Sustainability is another increasingly relevant consideration. Depending on the sector, franchisees may be subject to requirements concerning waste management, packaging, energy consumption, environmental permits and sourcing. International franchisors should assess whether global sustainability standards can be implemented in Mexico as drafted or whether they require adaptation to Mexican federal, state or municipal requirements.

These issues are particularly important because the franchisor's brand reputation can be affected by conduct occurring at an individual franchise location. Operational standards should therefore be incorporated into training, manuals, audits and contractual compliance mechanisms.

Conclusion

Mexico continues to offer significant opportunities for franchise businesses, but the nature of those opportunities is changing and relevant market players such as multi-unit and multi-brand institutional master franchisees are seizing them. The traditional franchise model based on a trade mark, physical premises and a standardised operating manual is increasingly being replaced by an integrated model involving physical locations, digital sales, centralised technology, customer databases, delivery platforms and sophisticated marketing channels.

The principal legal challenge is therefore not simply compliance with the franchise provisions of the LFPPI. It is ensuring that the franchise structure operates coherently across several areas of Mexican law, including intellectual property, competition, consumer protection, data privacy, taxation and commercial contracting.

For international franchisors, the most important practical lesson is that the Mexican franchise structure should be designed locally rather than treated as a translated version of an existing foreign model. Disclosure, intellectual property, territorial rights, digital channels, competition restrictions, data governance and termination should be considered together from the beginning.

As the Mexican market continues to become more digital and interconnected, franchise agreements will need to provide sufficient protection for the franchisor's brand while also giving franchisees meaningful clarity regarding the economic and operational scope of their rights. Businesses that address these issues at the market-entry stage will be better positioned to manage the legal and commercial risks associated with long-term franchise expansion in Mexico.

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