# Maryland Franchise Reform Act Passes

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The Maryland General Assembly has enacted, by overwhelming majorities, the Franchise Reform Act (Senate Bill 415 & House Bill 730), marking the first significant changes to the Maryland Franchise Registration & Disclosure Law (the "Maryland Franchise Law") since its enactment in 1981. Governor Moore is expected to sign the legislation into law shortly, and it will become effective on October 1, 2026.

The House sponsor and primary driver of the legislation, Delegate Marc Korman, introduced the bill resulting from numerous constituents who had raised concerns about the franchise registration process in Maryland, concerns shared by franchisors nationwide. However, while part of the law will encourage streamlining the Maryland franchise sales registration process, it also provides changes that will be helpful to Maryland franchisees and Maryland-based franchisors. Having focused my practice on franchise law in Maryland for more than 25 years, I was privileged to be asked by Delegate Korman to work closely with him and his staff on the drafting and revising of the legislation, which included conducting workgroup focus meetings with members of the Maryland State Bar Association ("MSBA") to gather feedback, and testifying on behalf of the MSBA in favor of the legislation multiple times throughout 2025 and 2026.

The Maryland Franchise Law protects people considering the purchase of a franchise from being misled or under-informed when deciding whether to buy. The law requires franchisors to prepare a prospectus (called a "Franchise Disclosure Document" or an "FDD") detailing a wide variety of information and submit it to the Securities Commissioner, who is an officer with the Maryland Office of the Attorney General (the "OAG"), and obtain that agency's approval to sell franchises in Maryland. That approval, called registration, must be renewed each year in which the franchisor continues to sell franchises to Maryland residents or for the operation of the franchised business in Maryland (collectively, "Maryland Franchises"). Until now, the law has solely addressed the franchise sales process, rather than the ongoing relationship between the franchisor and the franchisee.

The Maryland Franchise Reform Act does the following:

**For the Benefit of Franchisors Generally**
Following the bill's initial introduction and passage by the House of Delegates during the 2025 session, the Securities Commissioner established a pilot program intended to expedite franchise registration renewals. The approved law requires the Securities Commissioner to continue the pilot program and to report to the legislature in 2031 on the program's results, as well providing data on other aspects of the registration process, and an analysis of how Maryland's exemptions from registration for experienced franchisors compares with those of other states that require registration before sale of a franchise.

**For the Benefit of Maryland Franchisors**
The law limits private parties who can sue a franchisor for violation of the Maryland Franchise Law solely to Maryland

franchisees.  This will eliminate the ability of out-of-state franchisees to use the statute as a weapon in disputes with franchisors that are or were headquartered in Maryland, which has been a deterrent to franchising from Maryland as compared to nearby states.

**For the Benefit of Franchisees**

Consistent with the Maryland Franchise Law's purpose, parts of the law will benefit franchisees.  Specifically:

- For the first time, the Maryland Franchise Law addresses the imbalance of power between franchisees and franchisors within the ongoing relationship, by prohibiting a franchisor from restricting or inhibiting Maryland franchisees from associating with other franchisees within their brand for the franchisees' common benefit "for any lawful purpose" — which could include collectively raising grievances with the franchisor for the franchisees' mutual benefit.  Maryland franchisees will have the right to sue in Maryland courts for injunctive relief and damage suffered, if the franchisor violates this prohibition. This provision is similar to "free association" laws passed in several other states, including California and Illinois.
- The time during which a franchisee may bring a private claim for violation of the law's registration or disclosure provisions has changed in a manner that benefits certain franchisees.  Franchisees will now have until the earlier of four years from buying the franchise rights or two years after the date the franchise opened to the public.  The limitations period was three years from the date the franchise rights were purchased, regardless of when the franchised business opened.  The advantage will be for retail franchises that often take two years or more from buying the franchise to open due to challenges in securing an acceptable site and constructing the franchise, since those owners then will have time after opening to determine the viability of their investment and whether the franchisor violated the Maryland Franchise Law in selling the franchise. For franchises that open within a short time of purchasing the rights, the judgment of the MSBA and the legislature was that two years from opening is sufficient for a franchisee to make that determination and commence a lawsuit.