

State of Arkansas
91st General Assembly
Regular Session, 2017

A Bill

SENATE BILL 695

By: Senator Collins-Smith

For An Act To Be Entitled

AN ACT TO CLARIFY THE RELATIONSHIP BETWEEN A
FRANCHISOR AND FRANCHISEE REGARDING THE DEFINITION OF
"EMPLOYEE" ; AND FOR OTHER PURPOSES.

Subtitle

TO CLARIFY THE RELATIONSHIP BETWEEN A
FRANCHISOR AND FRANCHISEE REGARDING THE
DEFINITION OF "EMPLOYEE".

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:

SECTION 1. Arkansas Code Title 11, Chapter 2, Subchapter 1, is amended to add an additional section to read as follows:

11-2-125. Relationship between franchisee and franchisor.

(a) As used in this section:

(1) "Franchise" means a continuing commercial relationship or arrangement in which the terms of the offer or contract specify or the franchise seller promises or represents, orally or in writing, that:

(A) The franchisee shall obtain the right to operate a business that is identified or associated with the franchisor's trademark, or to offer, sell, or distribute goods, services, or commodities that are identified or associated with the franchisor's trademark;

(B) The franchisor will exert or has authority to exert a significant degree of control over the franchisee's method of operation, or provide significant assistance in the franchisee's method of operation; and

(C) As a condition of obtaining or commencing operation of the franchise, the franchisee makes a required payment or commits to make a



required payment to the franchisor or its affiliate;

(2) "Franchisee" means a person that is granted a franchise;

(3) "Franchisor" means a person that grants a franchise and participates in the franchise relationship; and

(4) "Subfranchisor" means a person that functions as a franchisor by engaging in both pre-sale activities and post-sale performance.

(b) Notwithstanding a voluntary agreement entered into between the United States Department of Labor and a franchisee, neither a franchisee nor a franchisee's employee shall be deemed to be an employee of the franchisor or subfranchisor.

APPROVED: 04/05/2017