

HOUSE BILL 730

C2

6lr1979
CF SB 415

By: Delegate Korman

Introduced and read first time: February 2, 2026

Assigned to: Economic Matters

A BILL ENTITLED

1 AN ACT concerning

2 **Business Regulation – Maryland Franchise Registration and Disclosure Law –**
3 **Alterations**
4 **(Franchise Reform Act)**

5 FOR the purpose of altering the period of time within which the Securities Commissioner
6 in the Office of the Attorney General may exercise a power under certain provisions
7 of law governing the sale of franchises; requiring the Securities Commissioner to
8 require that a certain franchise registration exemption be indexed to inflation or
9 deflation based on a certain index; altering the period of time within which an action
10 for liability under a certain provision of law pertaining to franchise offers for sale
11 must be brought; prohibiting a franchisor and certain others from inhibiting the
12 right of franchisees to associate for certain purposes; providing that an action may
13 be brought against a certain franchisor under certain circumstances; establishing
14 the Maryland Franchise Disclosure Document Renewal Fast-Track Review Pilot
15 Program and generally relating to the Maryland Franchise Registration and
16 Disclosure Act.

17 BY repealing and reenacting, with amendments,
18 Article – Business Regulation
19 Section 14–102, 14–202, 14–210, 14–214, 14–227, and 14–233
20 Annotated Code of Maryland
21 (2024 Replacement Volume and 2025 Supplement)

22 BY adding to
23 Article – Business Regulation
24 Section 14–219.1 and 14–233
25 Annotated Code of Maryland
26 (2024 Replacement Volume and 2025 Supplement)

27 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,
28 That the Laws of Maryland read as follows:

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



Article – Business Regulation

2 14–102.

3 The General Assembly finds that:

4 **(1) THE SALE OF BUSINESS OPPORTUNITIES IS A FIELD THROUGH**
5 **WHICH INDIVIDUALS USE THEIR IDEAS TO CREATE ECONOMIC OPPORTUNITY;**

6 **(2) BUSINESSES ADD TREMENDOUS ECONOMIC VALUE AND DRIVE**
7 **INVESTMENT IN THE STATE THAT CREATES CRITICAL ECONOMIC GROWTH;**

8 [(1)] (3) the sale of business opportunities is a field in which investment
9 problems and deceptive practices are common; and

10 [(2)] (4) this subtitle is needed to regulate this field adequately and
11 prevent these deceptive practices.

12 14–202.

13 (a) The General Assembly finds that:

14 (1) **FRANCHISING HAS PLAYED A ROLE IN THE STATE'S ECONOMY BY**
15 **ENABLING RESIDENTS TO OPEN AND OPERATE BUSINESSES IN THE STATE UNDER**
16 **ESTABLISHED SYSTEMS AND BRANDS;**

17 (2) the widespread sale of franchises [has], WHILE OFFERING
18 OPPORTUNITIES TO STATE RESIDENTS, ALSO INVOLVES COMPLEX AGREEMENTS
19 AND SUBSTANTIAL INVESTMENTS THAT CAN CREATE AND HAVE created many
20 investment and business [problems] RISKS FOR FRANCHISEES, FRANCHISORS, AND
21 SUBFRANCHISORS; and

22 [(2)] (3) franchisees [have suffered substantial] MAY SUFFER losses
23 when the [franchisor or its representative] FRANCHISEE has not BEEN given complete
24 AND ACCURATE information about:

25 (i) the **NATURE OF THE** franchisor–franchisee relationship;

26 (ii) the **TERMS AND OBLIGATIONS OF THE** franchise agreement;
27 and

28 (iii) the business experience **AND OPERATIONAL PRACTICES** of the
29 franchisor or its representative.

1 (b) The intent of this subtitle is to:

2 (1) give each prospective franchisee necessary information about any
3 franchise offer;

4 (2) [prohibit the sale of franchises if the sale] **PROMOTE HONESTY,**
5 **TRANSPARENCY, ACCOUNTABILITY, AND FAIR DEALING IN THE OFFER AND SALE OF**
6 **FRANCHISES;**

7 (3) **PREVENT PRACTICES THAT** would [lead to] **RESULT IN** fraud or a
8 likelihood that the franchisor's representations would not be fulfilled; [and]

9 [(3)] (4) protect the franchisor–franchisee relationship; AND

10 (5) **SUPPORT THE CONTINUED GROWTH OF FRANCHISING AS A**
11 **BUSINESS MODEL IN THE STATE.**

12 14–210.

13 (a) (1) Whenever the Commissioner finds that a person has violated or is about
14 to violate this subtitle or a regulation adopted or order passed under it, the Commissioner
15 may order the person to cease and desist from the further offer to sell or sale of the franchise
16 until the offer or sale complies with this subtitle.

17 (2) After passage of a cease and desist order, the alleged violator may
18 submit to the Commissioner a written request for a hearing.

19 (3) The hearing shall begin:

20 (i) within 15 business days after the Commissioner receives the
21 request for a hearing; or

22 (ii) at a later date, with the consent of the alleged violator.

23 (4) Unless there is a timely hearing, the cease and desist order is rescinded.

24 (b) (1) Whenever the Commissioner finds that a person has violated or is about
25 to violate this subtitle or a regulation adopted or order passed under it, the Commissioner
26 may sue in the circuit court to enjoin the violation or enforce this subtitle or the regulation
27 or order.

28 (2) The court shall:

29 (i) determine if a violation of this subtitle has been or is about to be
30 committed; and

(ii) if so, pass any order the court considers necessary to prevent the violation or remove the effects of the violation and prevent it from continuing or being renewed in the future.

6 (i) injunction;

(ii) revocation, forfeiture, or suspension of the charter authority or
privileges of a business organization operating under the laws of the State;

(iii) dissolution of a corporation or association organized under the laws of the State;

(iv) suspension or termination of the right of a corporation or association organized under the laws of another state or country to do business in the State;

(v) restitution;

14 (vi) restraining order;

(vii) award of damages to be paid by a franchisor or subfranchisor to a person injured by a violation of this subtitle; and

17 (viii) appointment of a receiver or conservator.

18 (4) The court may not require the Commissioner to post bond.

(c) The Commissioner may not exercise a power under this section more than [3] 5 years after the violation occurs.

21 14-214.

22 (a) Except as otherwise provided in this subtitle, a person must register the offer
23 of a franchise with the Commissioner before the person offers to sell, through
24 advertisement or otherwise, or sells the franchise in the State.

25 (b) The registration requirement of this section does not apply to:

(1) a transaction by an executor, administrator, sheriff, receiver, trustee in bankruptcy, guardian, or conservator;

(2) an offer to sell or sale of a franchise that is substantially similar to a franchise already owned by the offeree or buyer; and

(3) any other transaction that the Commissioner exempts by regulation because:

(i) the transaction is not within the purpose of this subtitle; and

(ii) the registration of the transaction is not necessary or appropriate in the public interest or for the protection of investors.

6 (c) (1) The registration requirement of this section does not apply to the offer
7 to sell or sale of a franchise by a franchisee for the franchisee's own account, or the offer to
8 sell or sale of the entire area franchise owned by a subfranchisor for the subfranchisor's
9 own account.

(2) A sale is not effected by or through a franchisor merely because a franchisor has a right to approve or disapprove a different franchisee.

12 (d) (1) The Commissioner may require by regulation that a franchisor or
13 subfranchisor who claims under subsection (b)(3) of this section to be exempt from the
14 registration requirements of this section:

15 (i) file with the Commissioner a notice of claim of exemption in the
16 form that the Commissioner requires; and

17 (ii) pay a fee of \$250.

18 (2) The franchisor or subfranchisor shall sign and verify the notice of claim
19 of exemption.

20 (E) THE COMMISSIONER SHALL REQUIRE THE FRANCHISOR NET EQUITY
21 AMOUNTS SET FORTH IN THE FRANCHISE REGISTRATION EXEMPTION UNDER
22 COMAR 02.02.08.10D.1 TO ACCOUNT FOR INFLATION OR DEFLATION BASED ON
23 THE CONSUMER PRICE INDEX FOR ALL URBAN CONSUMERS BY THE U.S.
24 DEPARTMENT OF LABOR.

25 14-227.

26 (A) THIS SECTION APPLIES ONLY TO:

27 (1) A FRANCHISEE OR FRANCHISOR WHO IS A RESIDENT OF THE
28 STATE; OR

1 **[(a)] (B)** (1) A person who sells or grants a franchise is civilly liable to the
2 person who buys or is granted a franchise if the person who sells or grants a franchise offers
3 to sell or sells a franchise:

4 (i) without the offer of the franchise being registered under this
5 subtitle; or

6 (ii) by means of an untrue statement of a material fact or any
7 omission to state a material fact necessary in order to make the statements made, in light
8 of the circumstances under which they are made, not misleading, if the person who buys or
9 is granted a franchise does not know of the untruth or omission.

10 (2) In determining liability under this subsection, the person who sells or
11 grants a franchise has the burden of proving that the person who sells or grants a franchise
12 did not know and, in the exercise of reasonable care, could not have known of the untruth
13 or omission.

14 **[(b)] (C)** The person who buys or is granted a franchise may sue under this
15 section to recover damages sustained by the grant of the franchise.

16 **[(c)] (D)** A court may order the person who sells or grants a franchise to:

17 (1) rescind the franchise; and

18 (2) make restitution to the person who buys or is granted a franchise.

19 **[(d)] (E)** (1) Joint and several liability under this section extends to:

20 (i) each person who directly or indirectly controls a person liable
21 under this section;

22 (ii) each partner in a partnership liable under this section;

23 (iii) each principal officer or director of a corporation liable under this
24 section;

25 (iv) each other person that has a similar status or performs similar
26 functions as a person liable under this section; and

27 (v) each employee of a person liable under this section, if the
28 employee materially aids in the act or transaction that is a violation under this subtitle.

29 (2) However, liability under this subsection does not extend to a person
30 who did not have knowledge of or reasonable grounds to believe in the existence of the facts
31 by which the liability is alleged to exist.

1 **[(e)] (F)** An action under this section must be brought within **[3] THE EARLIER**
2 **OF:**

3 **(1)** **5** years after the grant of the franchise; OR

4 **(2)** **THE LATER OF:**

5 **(I)** **3 YEARS AFTER THE GRANT OF THE FRANCHISE; OR**

6 **(II)** **2 YEARS AFTER THE DATE OF THE INITIAL COMMENCEMENT**
7 **OF OPERATIONS OF THE FRANCHISE.**

8 **14-233.**

9 **(A) A FRANCHISOR MAY NOT, DIRECTLY OR INDIRECTLY, THROUGH ANY**
10 **OFFICER, AGENT, OR EMPLOYEE:**

11 **(1) RESTRICT OR INHIBIT THE RIGHT OF A FRANCHISEE TO JOIN A**
12 **TRADE ASSOCIATION CONSISTING OF OTHER FRANCHISEES OF THE SAME**
13 **FRANCHISE; OR**

14 **(2) PROHIBIT THE RIGHT OF FREE ASSOCIATION AMONG**
15 **FRANCHISEES FOR ANY LAWFUL PURPOSE.**

16 **(B) (1) A PERSON WHO VIOLATES SUBSECTION (A) OF THIS SECTION MAY**
17 **BE SUED IN CIRCUIT COURT FOR:**

18 **(I) TEMPORARY OR PERMANENT INJUNCTIVE RELIEF;**

19 **(II) DAMAGES, IF ANY; AND**

20 **(III) COSTS OF THE SUIT, INCLUDING ANY REASONABLE**
21 **ATTORNEY'S FEES.**

22 **(2) THE INJUNCTIVE RELIEF MAY BE SOUGHT FROM THE CIRCUIT**
23 **COURT IN THE COUNTY WHERE THE INDIVIDUAL WHO IS ALLEGED TO BE IN**
24 **VIOLATION OF SUBSECTION (A) OF THIS SECTION RESIDES OR THE FRANCHISE**
25 **AFFECTED BY THE VIOLATION CONDUCTS BUSINESS.**

26 **(3) WHEN SEEKING AN INJUNCTION UNDER THIS SECTION, THE**
27 **PLAINTIFF MAY NOT BE REQUIRED TO ALLEGE OR PROVE ACTUAL DAMAGES**
28 **SUFFERED TO OBTAIN INJUNCTIVE RELIEF.**

1 **(4) AN ACTION UNDER THIS SUBSECTION MUST BE BROUGHT WITHIN**
2 **THE EARLIER OF:**

3 **(I) 2 YEARS AFTER THE ALLEGED VIOLATION OCCURRED; OR**

4 **(II) 1 YEAR AFTER THE DISCOVERY BY THE PLAINTIFF OF THE**
5 **FACTS OF THE ALLEGED VIOLATION.**

6 **[14–233.] 14–234.**

7 This subtitle is the Maryland Franchise Registration and Disclosure Law.

8 SECTION 2. AND BE IT FURTHER ENACTED, That the Laws of Maryland read
9 as follows:

10 **Article – Business Regulation**

11 **14–219.1.**

12 **(A) IN THIS SECTION, “PROGRAM” MEANS THE MARYLAND FRANCHISE**
13 **DISCLOSURE DOCUMENT RENEWAL FAST-TRACK REVIEW PILOT PROGRAM.**

14 **(B) (1) THERE IS A MARYLAND FRANCHISE DISCLOSURE DOCUMENT**
15 **RENEWAL FAST-TRACK REVIEW PILOT PROGRAM.**

16 **(2) THE COMMISSIONER SHALL ADMINISTER THE PROGRAM.**

17 **(C) (1) THE COMMISSIONER SHALL ESTABLISH A STANDARD FOR THE**
18 **REVIEW AND APPROVAL OF INCOMPLETE FRANCHISE DISCLOSURE DOCUMENTS.**

19 **(2) THE COMMISSIONER MAY USE A TECHNOLOGY SYSTEM TO ASSIST**
20 **THE REVIEW OF DOCUMENTS AS REQUIRED UNDER THIS SECTION.**

21 **(D) THE COMMISSIONER SHALL ADOPT REGULATIONS TO CARRY OUT THIS**
22 **SECTION, INCLUDING REGULATIONS ESTABLISHING REQUIREMENTS AND**
23 **PROCEDURES FOR THE SUBMISSION AND APPROVAL OF FRANCHISE DISCLOSURE**
24 **DOCUMENTS.**

25 **(E) ON OR BEFORE SEPTEMBER 30, 2031, THE COMMISSIONER SHALL, IN**
26 **ACCORDANCE WITH § 2–1257 OF THE STATE GOVERNMENT ARTICLE, SUBMIT TO**
27 **THE SENATE FINANCE COMMITTEE AND THE HOUSE ECONOMIC MATTERS**
28 **COMMITTEE AND POST ON THE WEBSITE OF THE OFFICE OF THE ATTORNEY**
29 **GENERAL A REPORT THAT INCLUDES:**

1 **(1) THE NUMBER OF FRANCHISE DISCLOSURE DOCUMENTS**
2 SUBMITTED BY FRANCHISORS UNDER THE PROGRAM;

3 **(2) THE AMOUNT OF TIME REQUIRED TO ADMINISTER THE PROGRAM;**

4 **(3) AN ANALYSIS OF WHETHER THERE WAS ANY IMPACT ON**
5 FRANCHISE DISCLOSURE DOCUMENTS SUBMITTED OUTSIDE THE PROGRAM,
6 INCLUDING THE AMOUNT OF TIME REQUIRED FOR THE ANALYSIS OF FRANCHISE
7 DISCLOSURE DOCUMENTS THAT WERE REJECTED;

8 **(4) A DESCRIPTION OF PROGRAMS IN OTHER STATES THAT ADDRESS**
9 EXEMPTIONS FOR CERTAIN FRANCHISORS, INCLUDING THE STANDARDS BY WHICH
10 THE APPROPRIATE AUTHORITY MAKES DETERMINATIONS;

11 **(5) AN ANALYSIS OF WHETHER THE PROGRAM EFFECTS CONSUMER**
12 PROTECTION; AND

13 **(6) INFORMATION REGARDING THE EFFICIENCY OF THE REVIEW OF**
14 FRANCHISE DISCLOSURE DOCUMENTS, INCLUDING INFORMATION CONCERNING:

15 **(I) COMMENTARY PERIODS;**

16 **(II) AMENDMENT PERIODS;**

17 **(III) THE TIME FOR COMPLETION OF SUBMISSION AND REVIEW**
18 OF FRANCHISE DISCLOSURE DOCUMENTS;

19 **(IV) THE NUMBER OF REVIEWERS; AND**

20 **(V) THE AVERAGE NUMBER OF FRANCHISE DISCLOSURE**
21 DOCUMENTS SUBMITTED EACH YEAR.

22 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect
23 October 1, 2026. Section 2 of this Act shall remain effective for a period of 6 years and, at
24 the end of September 30, 2032, Section 2 of this Act, with no further action required by the
25 General Assembly, shall be abrogated and of no further force and effect.