Franchising In Russia

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Good, But Tough Market

- Good Opportunities in a “New Market”
- Decent Economic Developments
- Past Instabilities Unlikely to Recur
- Increased Interest in Brands

Tough Market

- Lots of Horror Stories
- Poor Protection for Intellectual Property
- Weak Judicial System
- Lots of Surprises

Keys to Success

- The Right Partner
- Be Engaged – Stay Engaged
- Build Your Brand Professionally
- Structure Properly
- Get Up, Stand Up – Stand Up for Your Rights

Finding the Right Partner

- The Single Most Important Concern
- Proper Due Diligence is Critical
- Learn from Negotiation Experience
- Build Trust or Walk Away
- Don’

Ideal Candidates are Hard to Find

- Lots of People With Money
- Lots of People Want Know-How
- Lots of People Want to be Associated With a Good Name

The Ideal Candidate

- Wants to Build a Brand Rather than Use One
- Wants to Build a Business Following the Business Model
- Values Know How and Support
- Will Provide Information and Will Pay Royalties

Be Engaged

- No Auto-Pilot for Russia
- Operators Will Need Lots of Support (even if they don’t know it yet)
- Set Reasonable Goals and Pursue Them
- Keep Your Eye on the Ball

Build Your Brand Professionally

- Your Brand is Probably Unknown in Russia
- Brand Culture is Just Now Growing
- Not Much Experience in Branding
- Use Your Skill to Help the Operator

Structure Properly

- Many Horror Stories Stem From Poor Structuring
- Do it Right and Do Not Cut Corners
- Russian Law and Practice are Strict Task Masters
- Do Not Expect to Just Plant Structures in Russia

Trademark Registration

- Pure Registration Jurisdiction
- No Protection Without Registration
- National Registration System
- Must Register Mark to Register License
- No Royalties Without Registration
- Most Deals Focus on the Marks

Know How

- Shore Up Know-How Into a Tangible Form
- Follow Rules for Commercial Secrets

Structure For Success

- Avoid Problems Up Front
- Currency Control and Accounting Rules
- Make Sure the Operator is Properly Structured (especially if they are a master franchisee)

Get Up, Stand Up

- Know the Situation
- Power Shift
- Right Partner
- Build Value into Leverage Points
- Get Ducks in a Row (TMs, Domain Names, Know How)

Follow Up on the Relationship

- Get Information
- Undertake Inspections
- Do Not Ignore Problems

What to Do?

- Register Your Trademarks Now
- Do Not Expect Operator to Know What to Do
- Stress the Real Value of the Brand