

Frequently Asked Questions – Franchising in Québec

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Franchisors looking to expand business operations into Québec need to be mindful of the key differences in the franchise model unique to the province — compared to the rest of Canada — in order to effectively tap into this potentially lucrative market and avoid legal issues.

Below are answers to two commonly asked questions about franchising in Québec.

1) Are automatic renewal clauses in franchise agreements valid under Québec law?

Yes. Automatic renewal clauses are valid and quite common in franchise agreements. Importantly, parties to a franchise agreement will want to ensure that they provide in some way for the termination of their relationship without cause. For instance, the agreement could include the right to terminate without cause by notifying the other party before the next renewal date. Without such a mechanism to end the renewal cycle, the parties may have to stick with each other for a very long time.

In *Uniprix inc. c. Gestion Gosselin et Bérubé inc.*, 2017 CSC 43, the Supreme Court of Canada confirmed the validity of an automatic renewal clause that had the potential of causing the perpetual renewal of a contract of affiliation. According to the majority, the legislature, conscious of the issue of perpetuity, chose not to prohibit perpetual obligations for all contracts. On the contrary, it decided to do so only for certain contracts, such as leases. Second, perpetual obligations, in general, do not offend any fundamental value so as to make them contrary to public order. While individual freedom may result in certain perpetual contracts being contrary to public order, commercial parties, as a general rule, are at liberty to bind themselves indefinitely.

While long-term relationships are desirable, perpetual franchise relationships rarely are. Any franchise agreement with an automatic renewal clause should provide for some commercially reasonable way for either party to terminate the relationship.

2) If my standard franchise agreement is in English, is it necessary to translate it into French for my Québec franchisees?

If the franchise agreement qualifies as a contract of adhesion, which is the case for most standard franchise agreements, the answer is yes, save in cases where the parties expressly agree that an agreement be drafted in another language.

According to the *Charter of the French Language*, such a franchise agreement, as well as all its

related documents, must be drawn up in French. Related documents would most likely include operation manuals and any other support materials, whether provided to the franchisee along with the franchise agreement or referred to in the franchise agreement.

However, the parties may contract out of this requirement. It is common practice to include a clause in both English and French clearly stating that both parties agree to the contract being solely in English in the English-only standard franchise agreement.