

1 State of Arkansas  
2 91st General Assembly  
3 Regular Session, 2017  
4

# A Bill

SENATE BILL 695

5 By: Senator Collins-Smith  
6

## For An Act To Be Entitled

8 AN ACT TO CLARIFY THE RELATIONSHIP BETWEEN A  
9 FRANCHISOR AND FRANCHISEE REGARDING THE DEFINITION OF  
10 "EMPLOYEE" ; AND FOR OTHER PURPOSES.  
11

## Subtitle

12 TO CLARIFY THE RELATIONSHIP BETWEEN A  
13 FRANCHISOR AND FRANCHISEE REGARDING THE  
14 DEFINITION OF "EMPLOYEE".  
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19 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:  
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21 SECTION 1. Arkansas Code Title 11, Chapter 2, Subchapter 1, is amended  
22 to add an additional section to read as follows:

23 11-2-125. Relationship between franchisee and franchisor.

24 (a) As used in this section:

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

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

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

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



1 required payment to the franchisor or its affiliate;

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

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

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

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

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