
A BILL FOR AN ACT

RELATING TO FRANCHISES.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. Hawaii's franchise investment law regulates the
2 sale of franchises in Hawaii. While franchisors are required to
3 be amenable to the jurisdiction of the courts of this State,
4 franchises may include a pre-dispute forum selection clause that
5 requires the adjudication of disputes in an out-of-state
6 jurisdiction.

7 The legislature finds that given Hawaii's physical
8 isolation from other states, mandating the imposition of an out-
9 of-state forum selection clause in a franchise without regard to
10 the facts of the dispute is impractical and a great hardship to
11 franchisees. A dispute regarding a Hawaii franchise will
12 typically involve conduct in Hawaii, with the witnesses and
13 physical evidence located in the State. It is frequently cost
14 prohibitive for a franchisee to have disputes adjudicated out-
15 of-state, with the result that the franchisees cannot afford to
16 utilize the protections afforded it under Hawaii law,
17 frustrating a purpose of Hawaii's franchise investment law.



1 The legislature further finds that having Hawaii franchise
 2 disputes adjudicated thousands of miles away in a foreign forum
 3 does not allow for the robust and authoritative development of
 4 judicial precedent to inform parties about how to interpret and
 5 apply Hawaii's law regarding franchisor-franchisee disputes.

6 The purpose of this Act is to void the use of pre-dispute
 7 forum selection clauses in franchises that require the
 8 adjudication of disputes in an out-of-state jurisdiction. The
 9 purpose of this Act is to also be consistent with the statutory
 10 schemes of other states that have enacted franchise investment
 11 laws.

12 SECTION 2. Section 482E-5, Hawaii Revised Statutes, is
 13 amended to read as follows:

14 "**§482E-5 General provisions.** (a) Every person selling
 15 franchises in this State shall at all times keep and maintain a
 16 complete set of books, records, and accounts of such sales and
 17 shall thereafter at such times as are required by the director
 18 make and file in the office of the director a report setting
 19 forth the franchises sold by it and the proceeds derived
 20 therefrom.



1 (b) It is unlawful for any person in connection with the
2 offer, sale, or purchase of any franchise directly or
3 indirectly:

4 (1) To make any untrue statement of a material fact in any
5 offering circular or report filed with the director
6 under this chapter or wilfully to omit to state in any
7 offering circular or report, any material fact which
8 is required to be stated therein.

9 (2) To sell or offer to sell a franchise in this State by
10 means of any written or oral communication which
11 includes an untrue statement of a material fact or
12 omits to state a material fact necessary in order to
13 make the statements made in light of the circumstances
14 under which they were made not misleading.

15 (3) To employ any device, scheme, or artifice to defraud.

16 (4) To engage in any act, practice, or course of business
17 which operates or would operate as a fraud or deceit
18 upon any person.

19 (5) To violate any order of the director.

20 (c) Any person who is engaged or hereafter engaged
21 directly or indirectly in the sale of a franchise or in business
22 dealings concerning a franchise, either in person or in any



1 other form of communication, shall be subject to this chapter,
2 shall be amenable to the jurisdiction of the courts of this
3 State, and shall be amenable to the service of process as
4 provided by law and rule. Every person who sells a franchise in
5 this State shall file with the director in such form as the
6 director by rule prescribes, an irrevocable consent appointing
7 the commissioner or the commissioner's successor in office to be
8 the person's attorney, to receive service or any lawful process
9 in any noncriminal suit, action, or proceeding against the
10 person or the person's successor, executor, administrator, or
11 personal representative which arises under this chapter or any
12 rule or order hereunder after the consent has been filed, with
13 the same force and validity as if served personally on the
14 person filing consent. A person who has filed such a consent in
15 connection with a previous sale under this law need not file
16 another. Service may be made by leaving a copy of the process
17 in the office of the commissioner but is not effective unless:

18 (1) The plaintiff, who may be the director, in a suit,
19 action, or proceeding instituted by the plaintiff
20 forthwith sends notice of the service and a copy of
21 the process by registered or certified mail to the
22 defendant or respondent at the defendant's or



1 respondent's last address on file with the director;
2 and

3 (2) The plaintiff's affidavit of compliance with this
4 section is filed in the case on or before the return
5 day of the process, if any, or within such further
6 times the court allows.

7 (d) Any provision in a franchise that restricts
8 jurisdiction or venue to a forum outside of this State is void
9 with respect to any claim arising under or relating to a
10 franchise in this State or to business dealings concerning a
11 franchise in this State.

12 [~~(d)~~] (e) In any proceeding under this chapter, the burden
13 of proving an exception or an exemption from a definition is
14 upon the person claiming it."

15 SECTION 3. This Act does not affect rights and duties that
16 matured, penalties that were incurred, and proceedings that were
17 begun before its effective date.

18 SECTION 4. Statutory material to be repealed is bracketed
19 and stricken. New statutory material is underscored.

20 SECTION 5. This Act shall take effect on July 1, 2050.



Report Title:

Franchise; Franchisee; General Provisions; Forum Selection

Description:

Voids provisions in a franchise agreement with a Hawaii franchise that restricts the pre-dispute forum selection to a jurisdiction outside of Hawaii. Effective 07/01/2050. (SD1)

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