

Senate File 2277 - Introduced

SENATE FILE 2277
BY COMMITTEE ON ECONOMIC
GROWTH

(SUCCESSOR TO SF 2084)

A BILL FOR

1 An Act relating to the sources of goods or services under a
2 franchise agreement.
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 537A.10, subsection 9, paragraph b, Code
2 2016, is amended to read as follows:

3 b. However, the publication by the franchisor of a list
4 of approved suppliers of goods, supplies, inventories, or
5 services, or the requirement that such goods, supplies,
6 inventories, or services comply with customary and reasonable
7 specifications and standards prescribed by the franchisor,
8 does not constitute designation of a source. Additionally,
9 the reasonable right of a franchisor to disapprove a supplier
10 does not constitute a designation of source. **This subsection**
11 does not apply to the principal goods, supplies, inventories,
12 or services manufactured by the franchisor, except for motor
13 oil that is labeled in accordance with the requirements of
14 the American petroleum institute, or such goods, supplies,
15 inventories, or services entitled to protection as a trade
16 secret.

17 EXPLANATION

18 The inclusion of this explanation does not constitute agreement with
19 the explanation's substance by the members of the general assembly.

20 This bill relates to the sources of goods or services under
21 a franchise agreement.

22 Under current Code section 537A.10(9), a franchisor cannot
23 require a franchisee to purchase goods or services exclusively
24 from the franchisor or from a specific source designated by
25 the franchisor if goods or services of comparable quality are
26 available from other sources. A franchisor may publish a list
27 of approved suppliers of goods or services or require that such
28 goods or services comply with standards and specifications.
29 A franchisor also has the reasonable right to disapprove a
30 supplier. This provision does not apply to the principal goods
31 or services manufactured by a franchisor or such goods or
32 services entitled to trade secret protection.

33 The bill amends current law to limit the ability of a
34 franchisor to prescribe specifications and standards regarding
35 the purchase of goods or services to specifications and

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1 standards that are customary and reasonable. The bill
2 also amends current law to provide that a franchisor cannot
3 designate a source for a franchisee's purchase of motor oil
4 labeled in accordance with the requirements of the American
5 petroleum institute.