

Publications

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Virginia Imposes New Rules for Franchise Agreements

Key Takeaways

- Effective July 1, 2026, Virginia will require Virginia law to govern franchise agreements for Virginia-based operations.
- Once effective, the amendments will place new limits on franchisors' ability to enforce post-term non-compete provisions in franchise agreements in Virginia. The amendments generally prohibit restrictions on a former franchisee's retail activities after termination or expiration, subject to a limited exception for certain franchise sale transactions.
- In preparation, franchisors should review and update FDDs and franchise agreements now. Otherwise, existing Virginia registrations and disclosure documents may require amendments once the law takes effect.

The Virginia General Assembly recently enacted amendments to the Virginia Retail Franchising Act that will affect franchise agreements for franchised businesses operating in Virginia. Effective **July 1, 2026**, the amendments impose (1) a Virginia governing law requirement and (2) restrictions on the enforcement of post-term non-competition covenants.

Due to the amendments to the Act, franchisors registering or renewing in Virginia must update their Franchise Disclosure Documents and franchise agreements to address these statutory changes. For FDDs revised by our team, we have made these required changes in the Virginia-state-specific addendum to the FDD and franchise agreement.

What has Changed Under Virginia's New Franchise Law Amendments?

1. Virginia Law Must Govern Franchise Agreements

The amendments add a new section to the Act providing that any franchise agreement with a franchisee to operate a franchised business located in Virginia must be governed by the laws of Virginia.

Related People

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Related Capabilities

- Global Franchise & Supply Network
- Commercial Contracts & Transactions

2. New Restrictions on Post-Term Non-Competes

The amendments also add a section providing that franchisors are prohibited from including a provision in a franchise agreement (with a franchisee to operate a franchised business located in Virginia) that restricts a franchisee from engaging in the business of offering, selling, or distributing goods or services at retail after termination or expiration of the franchise agreement.

However, the amendments include an exception to the prohibition. Specifically, a post-sale restriction of up to two years may be permitted when a franchisee sells the franchise at a mutually agreed price to either a third party or the franchisor. This exception is tied specifically to a franchise sale transaction and does not broadly preserve post-term restrictive covenants following ordinary termination or expiration.

What Should Franchisors Do in Response to Virginia's Franchise Law Amendments?

As noted above, these two amendments require revisions to FDDs and franchise agreements for franchisees that will operate in Virginia. For FDDs revised by our team, we have made these required changes in the Virginia-state-specific addendum to the FDD and franchise agreement. If an FDD is registered in Virginia before July 1 but had not been updated to reflect the amendments, then franchisors will need to revise accordingly and file an amendment in Virginia.

For more information on Virginia franchise law amendments and related compliance considerations, contact Joyce Mazer, Len MacPhee, Jess Dance or Jarina Duffy, or your preferred Polsinelli attorney.