

Alert | Franchise & Distribution



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Virginia Amends Franchise Law to Bar Governing Law Provisions, Post-Termination Noncompete Restrictions

On April 13, 2026, Virginia Gov. Abigail Spanberger signed **HB 69/SB 240** into law. The legislation, passed by Virginia's General Assembly on March 31, 2026, amends Virginia's Retail Franchising Act in two significant ways and takes effect July 1, 2026.

Virginia Law to Govern Franchise Agreements

Under the amended Virginia Retail Franchising Act, any franchise contract or agreement offered or entered into after July 1, 2026, must be governed by the laws of the Commonwealth of Virginia. Franchisors that offer and sell franchises in Virginia will no longer be permitted to include choice-of-law provisions designating a state other than Virginia in their franchise agreements or related agreements with franchisees. Franchisors have commonly required the application of a single state's law across their franchise systems to maintain consistency in contract interpretation and in the franchisor-franchisee relationship.

Post-Termination Noncompete Restrictions in Virginia Franchise Agreements

The new law also expands the list of unlawful practices in connection with the offer or sale of a franchise in Virginia. It is now unlawful for any person to offer or enter into a franchise agreement that:

- Restricts a franchisee's right to engage in the business of offering, selling, or distributing goods or services at retail after the termination or expiration of the franchise agreement; or
- Includes a restriction on the franchisee's right to do business as part of the settlement of a controversy, unless that settlement is approved by a court of competent jurisdiction.

Starting July 1, 2026, post-termination noncompete clauses commonly found in franchise agreements subject to the Retail Franchising Act will no longer be enforceable under Virginia law.

The new law expressly provides that it does not alter, modify, or impair any contract entered into, extended, or modified on or before July 1, 2026.

April 14 Guidance from the Division of Securities and Retail Franchising

The Division of Securities and Retail Franchising has issued guidance addressing franchisors currently in the process of updating their franchise disclosure documents and franchise agreements for the current cycle, many of whom have already filed or will shortly file amendment applications in Virginia. The Division has also addressed franchisors whose registrations were approved prior to July 1, 2026, but do not expire until after that date. According to the Division, such franchisors have two options:

- Franchisors that do not anticipate selling any franchises in Virginia before their current registration expires may defer the required amendments until renewal, at which time the necessary changes must be incorporated.
- Franchisors that anticipate making, or that will in fact make, any franchise sales in Virginia on or after July 1, 2026 must submit an amendment application to the Division in advance of doing so, and must ensure that all franchise disclosure documents provided to prospective Virginia franchisees on or after that date include the required language addressing the new statutory provisions.

Considerations and Next Steps

Businesses and individuals involved in retail franchise relationships in Virginia should review their existing and planned franchise agreements in light of this development. Such reviews may encompass standard provisions governing location controls, confidential information protections, and post-termination or post-expiration rights, including the right to purchase the assets of a formerly franchised business.

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